



Comprehensive Annual Financial Report

**Fiscal Year Ended
June 30, 2006**

**Prepared by:
Business Office
Paul A. Soma, CPA, CFO
Traverse City Area Public Schools**

**TRAVERSE CITY AREA PUBLIC SCHOOLS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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INTRODUCTORY SECTION

September 26, 2006

To Board of Education and the Citizens
of the Traverse City Area Public School System,

Paul Soma, CPA, CFO
Chief Financial Officer

Keena Tibbetts
Executive Assistant

State law requires that school districts publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited by a firm of licensed certified public accountants using generally accepted auditing standards as defined by the Comptroller General of the United States in the publication *Government Auditing Standards*. These financial statements are required to be filed by November 15 of each year for the immediately preceding fiscal year.

Pursuant to this requirement, we are proud to issue this Comprehensive Annual Financial Report (CAFR) of the Traverse City Area Public Schools (the District) for the year ended June 30, 2006. A CAFR differs from traditional financial reports in that it is more comprehensive in scope and contains statistical information that includes financial and non-financial data presented over multiple (primarily ten) years. This is the second year our district has issued its financial report in this format. It is important to note that we as management are responsible for the financial information contained in this CAFR. We assume full responsibility for the completeness and reliability of all the information presented herein.

The format of this CAFR is designed to meet the needs of a broad spectrum of readers of financial reports and is divided into three major sections:

- **Introductory section** – The introductory section introduces the reader to the report and includes this transmittal letter, the organizational chart of the District, a list of Trustees elected to the Board of Education and other officials of the District, and the prior year CAFR Certificate of Excellence.
- **Financial section** – The financial section consists of the independent auditors' report, management's discussion and analysis, the basic financial statements, and combining and individual fund statements and schedules.
- **Statistical section** – The statistical section contains financial and other information that differ from financial statements in that they present accounting and non-accounting data, cover several years, and are designed to reflect social and economic data and financial and fiscal trends that help the reader gain a more thorough understanding of the District as a whole. Our format for reporting information in the statistical section was modified this year to comply with Governmental Accounting Standards Board (GASB) Statement Number 44. This statement updated the required statistical information and mandated that the information be segregated into one of the following sub-categories: Financial Trends, Revenue Capacity, Debt Capacity, Demographic and Economic Information, or Operating Information.

This transmittal letter is designed to introduce the reader to the District by providing high-level information of the District and the environment in which it exists. This transmittal letter should be read in conjunction with Management’s Discussion and Analysis presented in the financial section of the CAFR.

District Profile and Current Initiatives

The District’s history dates back to 1853 when it was first organized as an “ungraded” school system that served approximately 3 square miles. Through the years, the District grew through numerous annexations, most of which took place from 1956 through 1979, to encompass its current size of approximately 300 square miles. In 1979, the Board of Education changed the District’s name from the School District of Traverse City to the Traverse City Area Public Schools. The District currently serves over 10,700 students.

The District is organized under Section 380.401 of the Revised School Code of Michigan. Its purpose is to educate those students who reside within its borders and any students outside its borders who choose to attend the District through the “schools of choice” program. To accomplish this purpose, as of September 1, 2006, the District operates 16 elementary schools, two junior high schools, two traditional senior high schools, and an alternative high school. To meet the needs of its parents and students, the District offers a number of educational options including traditional K-12 education, Montessori curriculum, gifted and talented programming, and special education programs. On an ancillary basis, the District also offers pre-school and before and after school “latchkey” type programs to meet the wide variety of needs of the District’s parents.

The District is located in the northwest corner of Michigan’s lower peninsula and, as noted above, covers approximately 300 square miles. The area is known for its beautiful geography with numerous lakes and hills and abundant farm and otherwise undeveloped land. The most notable aspect of the District’s geography is that it surrounds Grand Traverse Bay, which is a well defined bay with a 20 mile peninsula dividing its east and west side (appropriately named East Bay and West Bay). This area is very recognizable on any Michigan map.

The most recent statistics published in May of 2006 (based on June 30, 2005 data) by the Michigan Department of Education in their bulletin 1014 “Michigan Public School Districts ranked by Selected Financial Data” ranked the District as the 21st largest out of 760 school districts in the state of Michigan in terms student population. Under the school funding system established in Michigan in 1994, schools are funded on a per-pupil “foundation” basis. The Traverse City Area Public School District operates on what is known as the “base” (lowest) foundation per student, which was \$6,875 in fiscal 2006. The District ranks 558th in total general fund revenues per student of \$7,542, which includes state categorical and federal program revenue in addition to the base foundation allowance. Spending priorities can be seen in the chart below that shows the District focuses its limited resources on instruction (420th in the state for basic programs) and instructional support (250th), and less resources on business and administration (554th).

| | | <u>Per Pupil</u> | <u>State Rank</u> |
|---------------------------|-------------------------------|-------------------------|--------------------------|
| General fund revenues | - All sources | \$ 7,542 | 558 th |
| General fund expenditures | - Basic programs | 3,691 | 420 th |
| | - Added needs | 784 | 442 nd |
| | - Instructional support | 674 | 250 th |
| | - Business and administration | 917 | 554 th |
| | - Operation and maintenance | 789 | 456 st |
| | - Total | 7,585 | 558 nd |

Data such as that noted above helps show our stakeholders that the limited resources available to us are directed properly. Additionally, in spite of the tough economic climate faced by many schools in Michigan, our District has the honor of being rated “AA-“ by Standard and Poor’s and “Aa3” by Moody’s Investor Services. Such high ratings serve as independent verification of the District’s commitment to fiscal responsibility.

As noted above, the District takes fiscal responsibility and planning seriously. To this end we have incorporated multi-year budgeting and forecasting into the management of our operations. As a result of this planning, the District has been able to deal with the downturn in the economy and the lack of state funding increases, coupled with double digit increases in health and retirement benefits and utility costs, as effectively as possible. Budget reductions have been made in almost every department and staffing levels have been decreased through attrition. The most notable change over the past three years, however, is the consolidation of elementary schools through the closing of three buildings. These closing were necessitated by a slowly declining student population at the elementary level and by the realities of the challenging funding situation noted above.

In conjunction with the above noted school closings, multi-year planning has expanded to include long term planning for capital projects. A recent major initiative of the District was to roll this plan out to the public as part of a bond campaign in fiscal 2004. Like many districts across the country, our District is saddled with an aging infrastructure and had gotten behind on major capital replacement schedules for educational equipment and buses. Again like many other districts, funds for the upkeep of infrastructure and for adequate replacement schedules were scarce. The plan put forward to the taxpayers of the District called for a structured, multi-year approach to dealing with the District’s infrastructure problems. The main tenant of this plan was to ask taxpayers to allow the District to sell bonds over the years that would have the impact of keeping the millage rate for debt service consistent at 3.1 mills. In exchange for this, the District could sell \$42 million worth of bonds, in series over those ten years, which would provide funding to:

- Begin upgrading facilities, starting with elementary buildings
- Maintain technology standards and implement a fiber network district-wide
- Replace buses
- Replace certain educational and operational capital equipment

Furthermore, the District has agreed to sell the bonds in short (10 year) durations. This has the impact of keeping interest costs low and having bonds roll off debt schedules quickly. Additionally, as will be discussed later in this transmittal letter, the District has the benefit of existing in an area of rapidly rising property values. Low debt costs, short maturities, and a rapidly rising tax base allow the District leverage in relation to its debt millage.

The voters expressed their overwhelming satisfaction with this plan by passing the bond issue in 2004 by almost a 2-1 margin. As such, work has been completed on one of the District’s elementary buildings and work has begun on another to upgrade them to modern day standards. In order to accomplish this major re-construction work, students are moved for one year to one of our closed elementary buildings while the yearlong project is completed. The District plans to work on at least one elementary each year in this manner. The other aspects of the bond project noted are also progressing as scheduled.

It is the District’s intention to continue to ask taxpayers to allow us to sell bonds that keep the tax rate at the same, and eventually lower, rate. The District situation is such that this type of plan will provide the means, over time, to upgrade all facilities and keep capital purchases current.

The District has recently begun another major initiative in which it is seeking community input through a 100-member steering committee whose charge it is to recommend a long-range master plan for our school system. The committee is made up of a cross section of our community and includes representation from a broad array of district constituents. A professional facilitator hired by the District is guiding the committee's work. The District determined such a plan was necessary given the wide range of challenges it currently faces and the potentially major impacts the District's response to such challenges can have on the District and the community at large. The challenges identified by the board that led to the formation of the committee include, but are not limited to the following:

- New State mandated high school graduation requirements.
- Rapid growth of certain district programming – most notably the District's Montessori program.
- Slowly declining overall student enrollment.
- Geographical shifts in the demographics of the location students.
- Rising operational costs coupled with inadequate revenue increases.

Internal Control Structure

The District makes internal financial control a priority. A comprehensive internal control framework has been designed to protect the District's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with GAAP. The system of controls that has been established relies on a combination of sound internal control practices such as separation of critical duties, computerized budgetary spending controls on the system, financial review by budgetary managers at the site, department, and district level, and reconciliations of bank accounts and liability accounts on a regular basis. As is sound general practice, the cost of instituting internal controls should not outweigh the benefits received from such controls. The control structure, therefore, is designed to provide reasonable, rather than absolute, assurance that the District's financial statements are free from material misstatements. Independent auditors review the District's internal control structure yearly. Because of internal controls, the District is able to assert that to the best of its knowledge and belief, this financial report is complete and reliable in all material respects.

Budgetary Control

The District adopts an annual budget for its funds, which acts as an initial operating plan for the year in accordance with the State of Michigan Uniform Budgeting and Accounting Act. This budget is established prior to the fiscal year beginning and is amended at various times throughout the year to reflect changes in expectations and assumptions. Major changes that lead to budget amendments include changes to assumptions for state revenue, student enrollment, staffing, and federal and state programs.

Annual appropriations lapse at year-end with the exception of those listed as a fund balance reserve. During June of each year, the District Superintendent, in conjunction with the Chief Financial Officer, present to the Board a proposed operating budget for the next fiscal year commencing on July 1st. This budget includes proposed expenditures and the means of financing them.

The District ensures budgets are not exceeded by establishing "appropriations" for individual budget managers. If a purchase order exceeds appropriations, that transaction will be denied and returned to the originator. Additionally, all large purchases (those in excess of \$5,000) must contain three informal competitive quotes and be approved on-line by the district purchasing manager. The Chief Financial Officer must approve any transaction over \$10,000. Finally, any transaction exceeding the State of Michigan threshold required for sealed bids (\$18,490 in fiscal 2006) must be formally approved by the Board of Education.

The level by which expenditures may not exceed appropriations has been determined by the State to be the function level. Recently, the state has noted a large number of districts in violation of this requirement and has stepped up enforcement of the requirements of the Uniform Budgeting and Accounting Act. Particularly, the state has noted districts whose final appropriations are in excess of Board approved amounts, and districts whose combined fund balance and revenues are not adequate to meet actual expenditures. Our District has always taken the requirements of this act very seriously and continues to adhere to these requirements.

The District's 2006 fund balances and projected 2007 revenues are sufficient to meet the 2007 budget as presented to the public in June of 2006.

Cash Management and Investments

The District monitors cash flow on a monthly basis and prepares formal yearly cash flow projections each June as part of the budget adoption process. Board policy and state law govern investment of idle cash with the exception that the District's policy is more restrictive than state law in that commercial paper, while legal from the state's perspective, is not an authorized investment per the District's policy. The District's policy states, "The primary objectives, in order of priority, of investment activities shall be safety, liquidity, and yield." The policy also calls for periodic (monthly) reports to the Board of Education indicating pertinent investment information such as account balances, market values, maturity dates, and yields. Authorized investments include bonds, bills, or notes of the United States; certificates of deposit issued by a state or nationally chartered bank; securities issued or guaranteed by agencies or instrumentalities of the United States; and mutual funds or investment pools that are composed entirely of investments legal for direct investment by a school district.

Risk Management

The District participates in large self-insurance pools of educational institutions for property and casualty insurance and workers' compensation insurance. The District pays annual premiums into the pools under a retrospectively rated policy. These pools have built sufficient reserves to cover claims by all participating members and in fact, have built excess reserves that are returned to participating members annually based on favorable prior year experience. The pools purchase reinsurance coverage to cover catastrophic claims.

Unemployment compensation is handled on a cost of benefits reimbursement basis with the State of Michigan. Claims are monitored internally to ensure appropriateness. Any inappropriate claims are challenged aggressively to mitigate the District's financial exposure.

Independent Audit

This financial report has been subject to an audit conducted by the licensed Certified Public Accounting firm of Maner, Costerisan & Ellis, P.C. (MC&E). Management has certified to the firm that all records have been made available for their review and that management is not aware of any outstanding issues that would have a material impact on this report. MC&E has issued a unqualified opinion that the financial information contained in this CAFR accurately reflects the year-end condition of the District's financial condition.

Economic Condition and Outlook of Regional and Local Economy

Traverse City Area Public Schools is located in Northwestern Lower Michigan and is spread over Grand Traverse County and small portions of Benzie and Leelanau Counties. The economy of Northwest Lower Michigan is varied with a heavy reliance on service industries and health care. This is indicative of the region's reliance on tourism and the fact that it is an attractive area for retirees. A breakdown of the top ten private industry employers in Northwest Lower Michigan by industry is as follows:

| Industry | Employees | Percent of Total |
|--|------------------|-------------------------|
| Food Services | 9,910 | 9.7 |
| Hospitals | 5,982 | 5.9 |
| Ambulatory Health Care Services | 5,452 | 5.3 |
| Specialty Trade Contractors | 5,351 | 5.2 |
| Accommodation | 4,818 | 4.7 |
| Administrative and Support Services | 4,245 | 4.2 |
| Professional and Technical Services | 4,036 | 4.0 |
| Transportation Equipment Manufacturing | 3,924 | 3.8 |
| General Merchandise Stores | 3,431 | 3.4 |
| Food and Beverage Stores | 3,220 | 3.2 |

Source: Annual Planning Information Report – Northwest Michigan Council of Governments
Prepared by: Michigan Department of Labor & Economic Growth

While Traverse City does not encompass all of Northwest Lower Michigan, the above noted employment statistics are generally reflective of the industry breakdown in the District's community.

Ironically, the same factors that make this area desirable from a quality of life standpoint and an attractive place to vacation to "get away from it all", can also be seen as impediments to traditional economic growth. The Traverse City Area is geographically located out of the way of any mainstream thoroughfare, and is therefore not an attractive place for major business operations that may require intra or interstate commerce. This, however, may bode well for this area in coming years as economies in general transition to the requirements of the "flat" world, which is based more on "knowledge" industries than on "manufacturing" or other traditional industries. Historically, compensation in the area lags state and national averages, while unemployment is below the state average but above national averages.

The region continues to grow at a quick pace. In fact, the region is projected to grow approximately three times faster than the state, and approximately twice as fast as the rest of the country over the next fifteen years in terms of population. People who move to this area routinely do so for "quality of life" reasons. The fastest growing segment of the population in this area is made up of individuals age 65 and older, followed by individuals between the age 55 and 64. (Source: *2006 Economic Forecast*, prepared by the Traverse City Area Chamber of Commerce).

This type of growth is a major factor driving this region's economy. As the population ages, it is expected that demand for medical services will continue to grow. Munson Medical Center is the region's largest employer. The medical services industry is expected to be one of the fastest growing industries in the region through 2010.

Tourism also plays a major role in this region's economy and will likely play a large role in the region's growth in the coming years. Mainstream attractions are increasingly looking to locate in Traverse City given its propensity to attract tourists. The Great Wolf Lodge is a prime example of this. Gaming, another activity that attracts tourists is also a major player in the area. Traverse Bay Entertainment, which specializes in gaming, is the region's third largest employer.

During fiscal year ended June 30, 2006, the region's top ten largest employers and number employed are as follows:

| Employer | Number Employed |
|---|------------------------|
| Munson Medical Center | 4,000 |
| Traverse City Area Public Schools | 1,457 |
| Traverse Bay Entertainment | 1,200 |
| Interlochen Center for the Arts | 350 - 1,200 |
| Nish-Nah-Bee | 500 - 999 |
| Grand Traverse Resort | 600 - 900 |
| Northwestern Michigan Community College | 623 |
| Traverse Bay ISD | 600 |
| Cherry Growers, Inc. | 225 - 600 |
| United Technologies | 585 |

One interesting factor to note about this District's economy is the rate of growth in the taxable value of property located in the District. Property values have grown at an average rate of 7.64% over the last five years. Taxable value of property located in the District over the last five years is as follows:

| Ad Valorem Taxable Value Growth History | | |
|--|---------------|-------|
| 2000 | 2,365,143,734 | |
| 2001 | 2,572,799,390 | 8.78% |
| 2002 | 2,769,516,266 | 7.65% |
| 2003 | 2,945,993,996 | 6.37% |
| 2004 | 3,171,765,562 | 7.66% |
| 2005 | 3,416,865,364 | 6.65% |

While this growth does not impact the general fund revenues of the District (as noted earlier, districts in Michigan are state funded institutions funded on a per-pupil foundation allowance), it does impact the District's ability to raise funds for infrastructure needs. This growth is one of the major factors involved in the District's long term infrastructure planning. As property values grow, the District is able to leverage more dollars at the same millage rate. The community has responded positively to this approach.

Award for Excellence in Financial Reporting

The Association of School Business Officials, International (ASBO) awarded a Certificate of Excellence in Financial Reporting to the District for its CAFR for the fiscal year ended June 30, 2005.

In order to be awarded a Certificate of Excellence, a governmental unit must publish an easily readable and efficiently organized CAFR, whose contents conform to the program's standards. Such a report must satisfy both generally accepted accounting principles and applicable legal requirements.

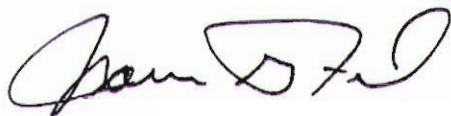
The Certificate of Excellence is valid for a period of one year only. We believe our current report continues to conform to the program's requirements, and are submitting it to ASBO to determine its eligibility for another certificate for the year ended June 30, 2006.

Acknowledgements

The preparation of this report could not have been accomplished without the hard work and dedication of the members of the business office. We would like to express appreciation to all the members of the business office for their assistance with this report and their commitment to the District throughout the year. You are truly an impressive staff! Special appreciation for the compilation of this report is expressed to Keena Tibbetts, Executive Assistant to the CFO, Wes Souden, Director of Finance and Business Technology, Sandy Low, Finance Manager, and Christine Thomas, Accountant.

Finally, we express our gratitude to the Board of Education for their support of, and commitment to, the responsible financial management of the District.

Respectfully submitted,



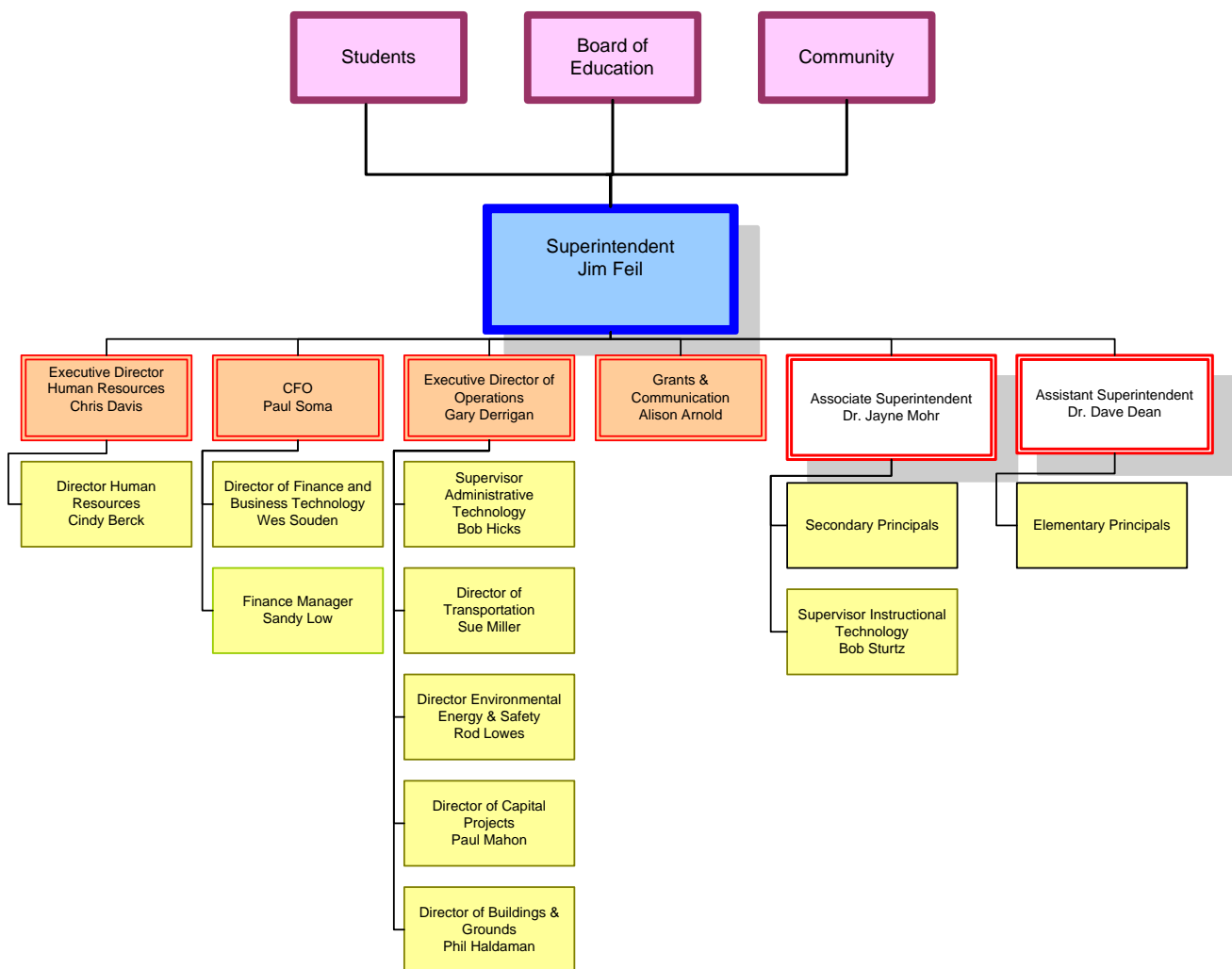
James G. Feil
Superintendent



Paul A. Soma, CPA
Chief Financial Officer



Organizational Chart



TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Principal Officials

Board of Education

| | | |
|------------------------|----------------|----------------|
| Gerald P. Morris | President | December, 2008 |
| Joel R. Casler | Vice President | December, 2007 |
| Richard H. Crampton | Secretary | December, 2007 |
| David W. Barr | Treasurer | December, 2010 |
| Alice A. McNally | Trustee | December, 2009 |
| Suzann E. Brooke | Trustee | December, 2009 |
| Frederick H. Tank, Jr. | Trustee | December, 2010 |

District Executive Team

| | |
|-------------------|--|
| James G. Feil | Superintendent |
| Dr. Jayne H. Mohr | Associate Superintendent |
| Dr. David Dean | Assistant Superintendent |
| Paul A. Soma | Chief Financial Officer |
| Christine Davis | Executive Director of Human Resources and Labor Relations |
| Gary Derrigan | Executive Director of Operations |
| Alison Arnold | Grants & Communication |

Official Issuing Report

| | |
|--------------|-------------------------|
| Paul A. Soma | Chief Financial Officer |
|--------------|-------------------------|

Department Issuing Report

Business Office

ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL



This Certificate of Excellence in Financial Reporting is presented to

TRAVERSE CITY AREA PUBLIC SCHOOLS

**For its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2005**

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

A handwritten signature in purple ink, appearing to read "M. J. Jordan".

President

A handwritten signature in purple ink, appearing to read "C. A. B. Jr.".

Interim Executive Director

FINANCIAL SECTION



Lamonte T. Lator
Bruce J. Dunn
Jeffrey C. Stevens
Linda I. Schirmer
Steven W. Scott
David M. Racek
Robert E. Miller, Jr.
Steven B. Robbins
James E. Nyquist
James R. Dedyne

Timothy H. Adams
David B. Caldwell
Edward L. Williams, III
Timothy J. Orians
Dennis D. Theis

Walter P. Maner, Jr. (1921-2004)
Floyd L. Costerisan
Leon A. Ellis (1933-1988)

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Traverse City Area Public Schools
Traverse City, Michigan

August 17, 2006

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Traverse City Area Public Schools, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Traverse City Area Public Schools' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Traverse City Area Public Schools as of June 30, 2006, and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

August 17, 2006

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 2006, on our consideration of Traverse City Area Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 14 - through 24 and page 55, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Traverse City Area Public Schools' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purpose of additional analysis and is not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements of Traverse City Area Public Schools. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in addition to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mamer, Costeusan & Ellis, P.C.".

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Traverse City Area Public Schools' (District) comprehensive annual financial report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2006. Please read it in conjunction with the transmittal letter found on pages 1 - 8 and the District's financial statements, which immediately follow this analysis.

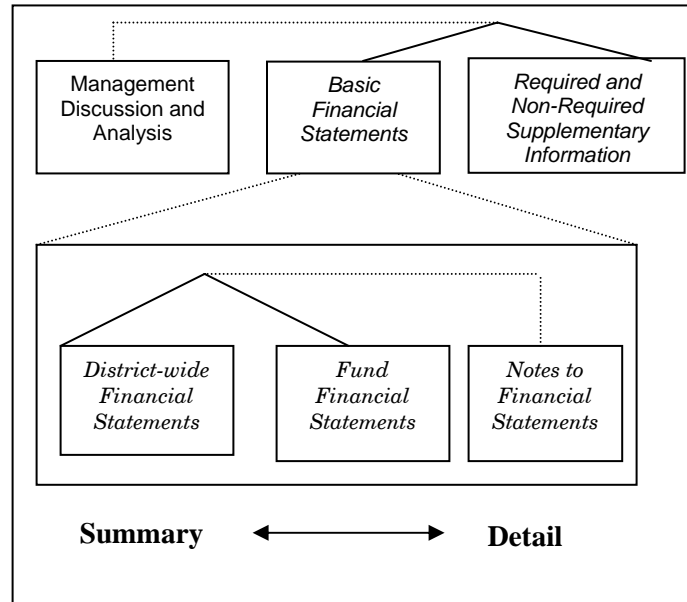
OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes required and non-required supplementary information.

District-wide and fund financial statements present two different views of the District:

- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations *in more detail* than the district-wide statements.
- The *governmental funds* statements tell how *basic* services like regular and special education were financed in the *short-term* as well as what remains for future spending.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others.

Figure A-1
Organization of the Financial
Section of the Traverse City Area
Public Schools' Comprehensive
Annual Financial Report



The notes to the financial statements explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. This section is followed by a section of non-required supplementary information. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

| Figure A-2 Major Features of District-Wide and Fund Financial Statements | | | |
|---|--|---|--|
| Scope | District-wide Statements | Fund Financial Statements | |
| | | Governmental Funds | Fiduciary Funds |
| | Entire district (except fiduciary funds) | The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance. | Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies |
| Required financial statements | <ul style="list-style-type: none"> * Statement of net assets * Statement of activities | <ul style="list-style-type: none"> * Balance sheet * Statement of revenues, expenditures and changes in fund balances | <ul style="list-style-type: none"> * Statement of fiduciary assets and liabilities * Statement of changes in fiduciary net assets |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus |
| Type of asset/liability information | All assets and liabilities, both financial and capital, short-term and long-term | Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included | All assets and liabilities, both short-term and long-term, Traverse City Area Public Schools' funds do not currently contain capital assets, although they can |
| Type of inflow/outflow information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable | All additions and deductions during the year, regardless of when cash is received or paid |

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

DISTRICT-WIDE STATEMENTS

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. The statement of activities accounts for all of the current year's revenues and expenses regardless of when cash is received or paid.

The two district-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or *position*. Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively. The relationship between revenues and expenses is the District's operating results. However, the District's goal is not simply to generate profits, as may be the case for a commercial entity. To assess the overall health of the District, one must consider many other factors, such as quality of education provided, safety of the students, enrollment trends and the physical condition of school buildings and other facilities, just to name a few. The statement of net assets and statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, supporting services, community services, athletics, food services, and childcare. Unrestricted State Aid (foundation allowance revenue), property taxes, and state and federal grants finance most of these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by State law and by bond covenants. The District establishes other funds to help it control and manage money for particular purposes (e.g., Child Care Fund) or to show that it is properly using certain revenues (e.g., Food Services Fund).

The District has two kinds of funds:

- Governmental funds – All of the District's basic services are included in governmental funds, which generally focus on how cash (and assets that can be readily converted to cash) flow in and out and the balances left at year-end that are available for spending. These balances are reported using the modified accrual basis of accounting. The governmental fund statements provide a detailed short-term view of the operations of the District and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information with the governmental funds statements that explains the relationship (or differences) between them.
- Fiduciary Funds – The District is the Trustee, or fiduciary, for assets that belong to others, such as the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes, and only by those to whom the assets belong. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Recall that the statement of net assets provides the perspective of the School District as a whole. Figure 1 provides a summary of the District's net assets as of June 30, 2006 and June 30, 2005. At the end of this fiscal year, the District's assets exceeded liabilities by \$61.2 million.

Figure 1
Traverse City Area Public Schools' Net Assets

| | 2006 | 2005 | Change |
|--|---------------|---------------|----------------|
| Current and other assets | \$ 32,911,996 | \$ 41,426,261 | \$ (8,514,265) |
| Capital assets | 112,914,284 | 110,094,244 | 2,820,040 |
| Total assets | 145,826,280 | 151,520,505 | (5,694,225) |
| Long-term debt outstanding | 64,211,180 | 71,772,616 | (7,561,436) |
| Other liabilities | 20,391,257 | 21,558,709 | (1,167,452) |
| Total liabilities | 84,602,437 | 93,331,325 | (8,728,888) |
| Net assets | | | |
| Invested in capital assets, net of related debt | 48,229,845 | 43,695,795 | 4,534,050 |
| Restricted | 1,187,090 | 1,115,670 | 71,420 |
| Unrestricted | 11,806,908 | 13,377,715 | (1,570,807) |
| Total net assets | \$ 61,223,843 | \$ 58,189,180 | \$ 3,034,663 |

- The largest portion of the District's net assets (79%) reflects its investment in capital assets (e.g., land, buildings and improvements, furniture, and equipment, net of accumulated depreciation), less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide services to students and hence these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.
- An additional portion (2%) of the District's net assets represents resources that are subject to external restrictions on how they may be used. This entire balance is restricted for debt service.
- The remaining balance of unrestricted net assets (19%) may be used to meet the District's obligations for normal operations in its various funds.

The District is able to report positive balances in all three categories of net assets. Capital assets, net of related debt, increased primarily as a result of the district paying down debt associated with those assets in excess of depreciation expense, coupled with additional local revenues within the capital projects fund. Restricted assets increased slightly which is reflective of the fact that our debt levy, while consistent with the previous year at 3.1 mills, was levied against property values that had increased enough to provide funding that was slightly in excess of the amount needed to pay this past year's debt requirements. The change in unrestricted net assets was the result of the District's use of resources to offset inadequate state funding.

Figure 2 shows the change in net assets of the District's government-wide activities for both fiscal years:

| Figure 2 Changes in Traverse City Area Public Schools' Net Assets | | | |
|--|---------------------|---------------------|---------------------|
| | 2006 | 2005 | Change |
| REVENUES | | | |
| Program revenues: | | | |
| Charges for services | \$ 5,780,627 | \$ 5,915,391 | \$ (134,764) |
| Federal and state categorical grants | 7,269,914 | 7,023,234 | 246,680 |
| General revenues: | | | |
| Property taxes | 38,818,094 | 35,909,932 | 2,908,162 |
| State aid - unrestricted | 46,792,354 | 47,489,558 | (697,204) |
| Other | 4,459,780 | 3,636,580 | 823,200 |
| Total revenues | <u>103,120,769</u> | <u>99,974,695</u> | <u>3,146,074</u> |
| EXPENSES | | | |
| Instruction | 50,833,381 | 48,823,122 | 2,010,259 |
| Support services | 34,114,152 | 32,394,692 | 1,719,460 |
| Community services | 1,987,106 | 2,512,309 | (525,203) |
| Food services | 4,556,915 | 4,539,385 | 17,530 |
| Athletics | 1,597,833 | 1,557,295 | 40,538 |
| Outgoing transfers and other transfers | 410,542 | 215,361 | 195,181 |
| Interest on long-term debt | 3,183,246 | 3,331,954 | (148,708) |
| Unallocated depreciation | 3,402,931 | 3,464,631 | (61,700) |
| Total expenses | <u>100,086,106</u> | <u>96,838,749</u> | <u>3,247,357</u> |
| Increase in net assets | <u>\$ 3,034,663</u> | <u>\$ 3,135,946</u> | <u>\$ (101,283)</u> |

As shown in Figure 1, the District's net assets were \$ 61,223,843 at June 30, 2006, which is a 5.2% improvement over the prior year. This increase, as discussed above, is primarily the result of the District paying down debt faster than depreciation expense. Additionally, the District's capital project funds reflect local revenues of \$341,779 from interest revenue which has the effect of increasing net assets related to capital (net of related debt). These increases were offset by the decrease in unrestricted assets, which was primarily the result of the District using general fund equity to balance the general fund's operation for the fiscal year ended June 30, 2006.

Total revenues and total expenses increased by \$3.1 million and \$3.2 million respectfully. The increase in revenues was the result of a \$175 increase in the state determined “per-pupil” foundation grant that accounts for the majority of the District’s general operating revenues, coupled with increases in other revenues (primarily interest income). The state funding formula calls for the increase in per pupil funding to be paid by two sources, local “non-homestead” property taxes and unrestricted state aid. Whatever is not paid for by the local tax is made up for by the state as long as the District maintains a certain state determined millage rate. Because of this funding mechanism, even though we received an increase of \$175 in unrestricted state aid, an increase in property values more than made up for the dollars needed to fund this increase. As a result, our “property tax” revenue increased significantly while state unrestricted funding actually decreased.

The approximate \$3.2 million increase in total expenses is primarily the result of cost increases related to employee insurance and pension requirements, along with dramatic increases in the price of natural gas and diesel fuel from the “Hurricane Katrina” fallout. It is not the result of any new or expanded programs or initiatives of the school system. The increase in the employee benefits and the pension-funding rate impacted all functions of the District that employ staff, while the Hurricane Katrina impact was seen in the operations and transportation portions of the support service function. Community Services (primarily early childhood programming) were reduced during the year as a result of decreased funding coming from the federal government and the intermediate school system.

DISTRICT GOVERNMENTAL ACTIVITIES

As noted earlier, the District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the District is being accountable for the resources the state, taxpayers and others provide to it and may provide more insight into the District’s overall financial health.

As the District completed this year, the governmental funds reported a combined fund balance of \$21,953,597, which is a \$7,264,458 decrease from the prior year. The majority of this decrease is the result of capital expenditures in excess of revenues in the capital projects fund as the District continues to implement and complete capital projects funded by a bond sale in fiscal years 2004 and 2005. Additionally, the District committed to using general fund equity to balance expenditures that were in excess of revenues in the general fund. These decreases were offset by a minor increase in fund balance for the other nonmajor governmental funds of the District. Highlights of these items include:

- Major capital projects fund balances, in total, decreased by \$6,186,638 as a result of the District essentially completing reconstruction of one elementary school, purchasing buses, beginning the installation of a district-wide fiber and wireless project for technology, purchasing technology and other instruction equipment, and purchasing certain operational equipment. These projects were funded by the sale of bonds in 2004 and 2005 from bond issues voted on and approved by taxpayers in 2001 and 2004.
- The general fund balance decreased by \$1,492,778 as a result of a planned use of fund balance to help mitigate the lack of adequate state educational funding to offset the rapid rise in District costs related to employee health insurance and pension obligations and the unfortunate dramatic increase in utility and diesel fuel costs as a result of Hurricane Katrina.
- Minor increases in other non-major funds offset the noted decreases by \$414,958 in the District’s combined fund balances.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revises its budget as it attempts to deal with numerous changes in expected revenues and expenditures. Under normal circumstances, the District adjusts its budget to reflect a wide variety of federal and state programs, many of which are not finalized until well after the District's original budget is required to be adopted. Additionally, the State of Michigan has faced a severe economic downturn in recent years and generally has not adopted its state school aid budget until well after the District budget is required to be adopted. Given that the majority of District revenues come in the form of state-aid, this situation has presented major challenges to schools in Michigan as they prepare their original budgets. We are no exception in this regard. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The District amended its budget on two occasions this fiscal year.

A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Highlights of changes to the general fund original budget as compared to the final budget were as follows:

- Budgeted revenues were increased \$2,591,664, which was primarily the result of recognizing additional federal and state program revenues, recognizing an increase in interest income expectations, recognizing additional revenues from the intermediate school district, and recognizing an increase of 10 students above our original projections. The impact of these changes from our original budget to our amended budget is as follows:
 1. Recognition of all restricted Federal and State programs into our budget accounted for approximately \$1.5 million of the noted increase.
 2. Increase in student count of 10 students over our original estimate resulted in approximately \$68,750 of the noted increase.
 3. One-time allocation from our ISD to supplement District revenues accounted for an increase of approximately \$300,000 to the District's revenues.
 4. Interest income expectations increased by \$450,000 during the year as a result of the Federal Reserve increasing interest rates throughout the year.
- Minor increases in facility rental income and miscellaneous other local revenue accounted for the remainder of the budget adjustments to revenues.
- Budgeted expenditures were increased by approximately \$2.9 million, which was also primarily the result of recognizing additional federal and state programs during the year, coupled with recognition of additional utility costs and diesel fuel costs associated with Hurricane Katrina and increasing staff and other ancillary costs to accommodate the additional students and contract settlements. Approximately \$1.3 million of this increase was attributable to direct instruction while the remainder was attributable to support functions. The impact of these changes from our original budget to our amended budget is as follows:
 1. Instructional support increased by approximately \$500,000, which was a result of fully recognizing state and federal programs into the budget.

2. Transportation increased by approximately \$600,000, which was caused by the sharp increase previously noted in diesel prices, coupled with the implementation of the full effects of a contract settlement with the District's bus drivers' association.
3. While the operation/maintenance function remained relatively stable between the first and final budgets, it should be noted that this was the result of a number of factors, including a large increase in natural gas prices, which was offset by a reduction in staffing levels due to budget cuts instituted in the previous year (not fully implemented until mid-year in fiscal 2006), and by the movement of approximately \$300,000 out of the operations/maintenance function and into an operating transfer for capital improvements. This re-alignment of the budget, which had no bottom line impact since it was a dollar for dollar change, accounts for the majority of the increase of approximately \$400,000 noted in the operating transfers to other funds line item.
4. Minor fluctuations in other functions account for the remaining budget adjustments that occurred between the original and final budgets.

Highlights of the final amendment in comparison to actual results included the following:

- The \$944,852 negative revenue variance is the result of deferring approximately \$1.2 million more than budgeted in federal and state restricted revenues. This variance is an expected outcome in that federal programs are budgeted in their full amounts and any remaining program budget is "carried over" to the next fiscal year. The District does not lose these funds. This negative variance was offset by a positive variance in local revenues of approximately \$200,000. This positive variance was the result of higher than budgeted interest income, facility use revenues and other miscellaneous local revenues. The remaining positive fluctuation of approximately \$100,000 was due to state revenues coming in slightly higher than expected.
- The \$2,569,898 positive variance in expenditures is the result of not spending all federal and state program dollars (which, as stated above, are carried over to the next year), coupled with a positive general fund variance in general fund unrestricted expenditure line items. Specifically:
 1. Approximately \$1.2 million of the positive variance is the result of federal and state program carryovers. These restricted grants are budgeted at their full amount during our fiscal year. Because most of these grants do not have the same fiscal year as our District, any amount remaining at June 30 is simply rolled over into our new fiscal year. Approximately \$1 million of the fluctuation noted in Instruction and Instructional staff support functions is due to federal and state programming carryover.
 2. The positive variance of \$260,000 in operations and maintenance is the result of not filling certain open positions. This was done specifically as a cost savings measure while analysis of potential reorganization of the department occurred.

3. Another \$200,000 of this variance is the result of the District's contingency planning for special education programs and is reflected in the added needs instructional programs function. These programs have needs that vary throughout the year with caseload changes. Because the District is mandated to provide these services, reserves must be held to accommodate unforeseen needs. The District is very conservative in releasing these reserves, and in the current year was able to complete the year with funds remaining.
4. The remaining positive budget variance of approximately \$900,000 represents approximately 1.1% of general fund budgeted expenditures. This variance is consistent with our District's conservative spending practices. The District makes a concerted effort to stretch dollars throughout the year by spending for only what is needed and being very cautious in regard to replacing staff. This variance is also reflective of our adherence to the Michigan Uniform Budget and Accounting Act, which makes it a violation if school districts in Michigan overspend their formally adopted budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the District had \$169.2 million invested in a broad range of capital assets, including land, buildings, furniture, and equipment. This amount represents an increase (including additions and disposals) of approximately \$6.5 million or 4.0 percent, from last year and is a result of the District's continuing bond projects, which are funded with proceeds from fiscal 2005 bond sales. An increase of \$3.7 million in accumulated depreciation offset the noted \$6.5 million increase in capital assets resulting in an increase in total non-current capital net assets of \$2.8 million, from approximately \$109.9 million to \$112.7 million (2.5%).

| | 2006 | | | 2005 |
|--------------------------|-----------------------|--------------------------|-----------------------|-----------------------|
| | Cost | Accumulated depreciation | Net book value | Net book value |
| Land | \$ 3,171,600 | \$ | \$ 3,171,600 | \$ 3,171,600 |
| Construction in progress | 4,079,359 | | 4,079,359 | 267,832 |
| Land improvements | 1,644,820 | 579,136 | 1,065,684 | 785,001 |
| Building and additions | 142,065,412 | 44,248,831 | 97,816,581 | 99,979,601 |
| Transportation equipment | 7,845,943 | 5,602,894 | 2,243,049 | 1,887,806 |
| Machinery and equipment | 10,433,806 | 6,106,662 | 4,327,144 | 3,758,366 |
| Total | <u>\$ 169,240,940</u> | <u>\$ 56,537,523</u> | <u>\$ 112,703,417</u> | <u>\$ 109,850,206</u> |

This year's additions of \$7,356,103 included, equipment, technology, building renovations, land improvements, and buses. More detailed information regarding the District's capital asset activity can be found in Note 4 to the basic financials statements included immediately following this analysis.

Long-Term Debt

At year-end the District had \$70,968,290 in general and limited obligation bonds and \$2,163,637 in other long-term debt outstanding. The combined total reflects a decrease of 9.1 percent from last year. This change was primarily the result of the District continuing to pay down long term obligations.

More detailed information about the District's long-term liabilities is presented in Note 5 to the basic financial statements.

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of six existing circumstances that could significantly affect the financial health of our District in the future:

- State funding sources continue to be on unstable ground, as the Michigan economy, which is highly dependent on the success of the domestic automotive industry, has not experienced the economic recovery currently underway in the rest of the country. Michigan is currently plagued by one of the largest unemployment rates in the country. The state has instituted mid-year reductions to school aid in two of the last four years. The state school aid act that was passed in late August calls for a per pupil increase in funding of \$210 or 3.1%. This amount is what the District has budgeted. A mid-year reduction to this amount would have an adverse impact on the District's operations.
- The Michigan Public School Employee Retirement System increased the rate they charge districts by 1.4% over the previous year to a total of 17.74% of payroll. This rate is projected to continue to climb at a dramatic pace every year for the foreseeable future. The added burden of this type of increase is a very serious problem facing all school districts in Michigan.
- The cost increases in health insurance premiums continue to be a serious problem for this District and our employees.
- Natural gas and diesel fuel costs have seen increases of over 100% in the last three years. Further inclines of this magnitude would have a serious negative affect on district operations. A downturn in these costs likewise would have a positive impact.
- In response to many factors, including but not limited to new State adopted graduation requirements, growth in some of the District's offerings, a decline in overall student enrollment, geographical shifts in demographics of our students, and cost increases associated with building occupancy, the District has undertaken a year long study with the primary objective of developing a long-range master plan. This master plan will help the District determine future building and programmatic priorities in relation to resources available, which will ultimately have a positive impact on the District's financial well-being.
- On another positive note, the District continues to implement its \$42 million capital project plan. These funds are the result of voter authorization that occurred in fiscal 2004 and are being sold in series with short maturities over ten years with the intent of keeping borrowing and interest costs low. The first series was sold in May of 2005. These funds are being used to renovate elementary buildings and athletic facilities, purchase buses, update technology infrastructure and equipment, and purchase musical instruments, and other instructional and operational equipment.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Business Office, Traverse City Area Public Schools, 412 Webster Street, Traverse City, MI 49685. We can be reached by phone at (231) 933-1735.

BASIC FINANCIAL STATEMENTS

TRAVERSE CITY AREA PUBLIC SCHOOLS
STATEMENT OF NET ASSETS
JUNE 30, 2006

| ASSETS | Governmental activities |
|---|------------------------------------|
| CURRENT ASSETS: | |
| Cash | \$ 14,051,881 |
| Investments | 1,253,066 |
| Receivables: | |
| Accounts receivable | 141,359 |
| Interest receivable | 119,671 |
| Taxes receivable | 230,239 |
| Due from other governmental units | 9,715,454 |
| Inventories | 195,716 |
| Prepaid expenditures | 87,309 |
| Restricted cash - capital projects | 4,091,563 |
| Restricted investments - capital projects | <u>3,025,738</u> |
| TOTAL CURRENT ASSETS | <u><u>32,911,996</u></u> |
| NONCURRENT ASSETS: | |
| Deferred charges, net of amortization | 210,867 |
| Capital assets | 169,240,940 |
| Less accumulated depreciation | <u>(56,537,523)</u> |
| TOTAL NONCURRENT ASSETS | <u><u>112,914,284</u></u> |
| TOTAL ASSETS | <u><u>\$ 145,826,280</u></u> |

The notes to the basic financial statements
are an integral part of this statement.

| | Governmental activities |
|---|------------------------------------|
| LIABILITIES AND NET ASSETS | |
| CURRENT LIABILITIES: | |
| Accounts payable | \$ 1,052,801 |
| Accrued salaries and related items | 9,037,426 |
| Accrued interest | 609,441 |
| Deferred revenue | 770,842 |
| Current portion of long-term obligations | 8,391,507 |
| Current portion of compensated absences and termination benefits | 529,240 |
| TOTAL CURRENT LIABILITIES | 20,391,257 |
| NONCURRENT LIABILITIES: | |
| Noncurrent portion of long-term obligations | 63,172,643 |
| Noncurrent portion of compensated absences and termination benefits | 1,038,537 |
| TOTAL NONCURRENT LIABILITIES | 64,211,180 |
| TOTAL LIABILITIES | 84,602,437 |
| NET ASSETS: | |
| Invested in capital assets, net of related debt | 48,229,845 |
| Restricted for debt service | 1,187,090 |
| Unrestricted | 11,806,908 |
| TOTAL NET ASSETS | 61,223,843 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 145,826,280 |

The notes to the basic financial statements
are an integral part of this statement.

TRAVERSE CITY AREA PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

| Functions/programs | Expenses | Program revenues | | Governmental activities |
|---|-----------------------|----------------------|---------------------|-----------------------------------|
| | | Charges for services | Operating grants | Net (expense) |
| | | | | revenue and changes in net assets |
| Governmental activities: | | | | |
| Instruction | \$ 50,833,381 | \$ 22,003 | \$ 3,156,191 | \$ (47,655,187) |
| Support services | 34,114,152 | 836,261 | 1,785,806 | (31,492,085) |
| Community services | 1,987,106 | 1,498,585 | 359,612 | (128,909) |
| Outgoing transfers and other transactions | 410,542 | | 403,133 | (7,409) |
| Food services | 4,556,915 | 3,062,044 | 1,565,172 | 70,301 |
| Athletics | 1,597,833 | 361,734 | | (1,236,099) |
| Interest on long-term debt | 3,183,246 | | | (3,183,246) |
| Unallocated depreciation | 3,402,931 | | | (3,402,931) |
| Total governmental activities | <u>\$ 100,086,106</u> | <u>\$ 5,780,627</u> | <u>\$ 7,269,914</u> | (87,035,565) |
| General revenues: | | | | |
| Property taxes, levied for general purposes | | | | 28,095,521 |
| Property taxes, levied for debt service | | | | 10,722,573 |
| Investment earnings | | | | 1,542,518 |
| State sources | | | | 46,792,354 |
| Gain on sale of fixed assets | | | | 25,030 |
| Traverse Bay Area ISD | | | | 2,185,231 |
| Other | | | | 707,001 |
| Total general revenues | | | | <u>90,070,228</u> |
| CHANGE IN NET ASSETS | | | | 3,034,663 |
| NET ASSETS, beginning of year | | | | <u>58,189,180</u> |
| NET ASSETS, end of year | | | | \$ 61,223,843 |

The notes to the basic financial statements are an integral part of this statement.

**TRAVERSE CITY AREA PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006**

| | General fund | 2004 Capital projects fund | 2005 Capital projects fund | Other nonmajor governmental funds | Total governmental funds |
|--------------------------------------|-------------------------|---|---|--|---|
| ASSETS | | | | | |
| ASSETS: | | | | | |
| Cash and cash equivalents | \$ 10,866,697 | \$ | \$ | \$ 3,185,184 | \$ 14,051,881 |
| Investments | 1,253,066 | | | | 1,253,066 |
| Receivables: | | | | | |
| Property taxes receivable | 197,174 | | | 33,065 | 230,239 |
| Accounts receivable | 83,736 | | | 57,623 | 141,359 |
| Interest | 96,736 | 5,774 | 17,161 | | 119,671 |
| Due from other governmental units | 9,451,370 | | | 264,084 | 9,715,454 |
| Due from other funds | 1,723 | | | 152,144 | 153,867 |
| Inventories | 67,407 | | | 128,309 | 195,716 |
| Prepaid expenditures | 87,309 | | | | 87,309 |
| Restricted cash and cash equivalents | | 1,148,949 | 2,942,614 | | 4,091,563 |
| Restricted investments | | 348,933 | 2,676,805 | | 3,025,738 |
| TOTAL ASSETS | \$ 22,105,218 | \$ 1,503,656 | \$ 5,636,580 | \$ 3,820,409 | \$ 33,065,863 |
| LIABILITIES AND FUND BALANCES | | | | | |
| LIABILITIES: | | | | | |
| Accounts payable | \$ 705,941 | \$ 12,978 | \$ 247,547 | \$ 86,335 | \$ 1,052,801 |
| Accrued salaries and related items | 9,037,426 | | | | 9,037,426 |
| Due to other funds | 152,144 | | | 1,723 | 153,867 |
| Deferred revenue | 800,144 | | | 68,028 | 868,172 |
| TOTAL LIABILITIES | 10,695,655 | 12,978 | 247,547 | 156,086 | 11,112,266 |

The notes to the basic financial statements
are an integral part of this statement.

| | General fund | 2004 Capital projects fund | 2005 Capital projects fund | Other nonmajor governmental funds | Total governmental funds |
|--|----------------------|-------------------------------------|-------------------------------------|--|--------------------------------|
| FUND BALANCES: | | | | | |
| Reserved for inventories | \$ 67,407 | \$ | \$ | \$ 128,309 | \$ 195,716 |
| Reserved for prepaid expenditures | 87,309 | | | | 87,309 |
| Reserved for debt service | | | | 1,796,531 | 1,796,531 |
| Reserved for capital outlay | | 1,490,678 | 5,389,033 | | 6,879,711 |
| Unreserved: | | | | | |
| Designated for curriculum development initiative | 10,000 | | | | 10,000 |
| Designated for building carryover | 457,536 | | | | 457,536 |
| Designated for department carryover | 126,838 | | | | 126,838 |
| Designated for bus notes | 99,310 | | | | 99,310 |
| Designated for severance pay | 1,567,777 | | | | 1,567,777 |
| Designated for technology/software | 34,900 | | | | 34,900 |
| Designated for budget stabilization | 2,200,000 | | | | 2,200,000 |
| Undesignated | 6,758,486 | | | 1,739,483 | 8,497,969 |
| TOTAL FUND BALANCES | <u>11,409,563</u> | <u>1,490,678</u> | <u>5,389,033</u> | <u>3,664,323</u> | <u>21,953,597</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 22,105,218</u> | <u>\$ 1,503,656</u> | <u>\$ 5,636,580</u> | <u>\$ 3,820,409</u> | <u>\$ 33,065,863</u> |
| Total Governmental Fund Balances | | | | | \$ 21,953,597 |
| Amounts reported for governmental activities in the statement of net assets are different because: | | | | | |
| Value of amortized bond issuance costs | | | | \$ 263,554 | |
| Accumulated amortization | | | | <u>(52,687)</u> | 210,867 |
| Capital assets used in governmental activities are not financial resources and are not reported in the funds | | | | | |
| The cost of the capital assets is | | | | 169,240,940 | |
| Accumulated depreciation is | | | | <u>(56,537,523)</u> | 112,703,417 |
| Long-term liabilities are not due and payable in the current period and are not reported in the funds: | | | | | |
| Bonds payable | | | | | (71,564,150) |
| Compensated absences | | | | | (1,567,777) |
| Accrued interest is not included as a liability in government funds, it is recorded when paid | | | | | (609,441) |
| Deferred revenue at June 30, 2006, expected to be collected after September 1, 2006 | | | | | 97,330 |
| Net assets of governmental activities | | | | | <u>\$ 61,223,843</u> |

The notes to the basic financial statements are an integral part of this statement.

TRAVERSE CITY AREA PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

| | General fund | 2004 Capital projects fund | 2005 Capital projects fund | Other nonmajor governmental funds | Total governmental funds |
|--|-------------------------|---|---|--|---|
| REVENUES: | | | | | |
| Local sources: | | | | | |
| Property taxes | \$ 28,116,822 | \$ | \$ | \$ 10,726,504 | \$ 38,843,326 |
| Tuition | 22,003 | | | 1,453,634 | 1,475,637 |
| Investment earnings | 932,273 | 69,337 | 272,442 | 268,473 | 1,542,525 |
| Food sales, athletics, and community service | | | | 2,871,154 | 2,871,154 |
| Other | 1,481,946 | | | 1,076,911 | 2,558,857 |
| Total local sources | 30,553,044 | 69,337 | 272,442 | 16,396,676 | 47,291,499 |
| State sources | 48,450,477 | | | 262,202 | 48,712,679 |
| Federal sources | 3,097,615 | | | 2,025,866 | 5,123,481 |
| Incoming transfers and other | 1,780,819 | | | 237,523 | 2,018,342 |
| Total revenues | 83,881,955 | 69,337 | 272,442 | 18,922,267 | 103,146,001 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| Instruction | 50,532,479 | | | | 50,532,479 |
| Supporting services | 32,870,762 | | | | 32,870,762 |
| Food service activities | | | | 4,538,296 | 4,538,296 |
| Athletic activities | | | | 1,561,165 | 1,561,165 |
| Community service activities | 305,458 | | | 1,681,648 | 1,987,106 |
| Outgoing transfers and other transactions | 176,047 | | | 272,696 | 448,743 |
| Capital outlay | | 1,074,823 | 5,453,594 | 715,010 | 7,243,427 |
| Debt service: | | | | | |
| Principal repayment | | | | 7,885,249 | 7,885,249 |
| Interest | | | | 3,304,689 | 3,304,689 |
| Other | | | | 38,543 | 38,543 |
| Total expenditures | 83,884,746 | 1,074,823 | 5,453,594 | 19,997,296 | 110,410,459 |

The notes to the basic financial statements
are an integral part of this statement.

| | General fund | 2004 Capital projects fund | 2005 Capital projects fund | Other nonmajor governmental funds | Total governmental funds |
|--|-------------------------|---|---|--|---|
| DEFICIENCY OF REVENUES UNDER EXPENDITURES | <u>\$ (2,791)</u> | <u>\$ (1,005,486)</u> | <u>\$ (5,181,152)</u> | <u>\$ (1,075,029)</u> | <u>\$ (7,264,458)</u> |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Operating transfers from other funds | 169,212 | | | 1,659,199 | 1,828,411 |
| Operating transfers to other funds | <u>(1,659,199)</u> | | | <u>(169,212)</u> | <u>(1,828,411)</u> |
| Total other financing sources (uses) | <u>(1,489,987)</u> | | | <u>1,489,987</u> | |
| NET CHANGE IN FUND BALANCES | (1,492,778) | (1,005,486) | (5,181,152) | 414,958 | (7,264,458) |
| FUND BALANCES: | | | | | |
| Beginning of year | <u>12,902,341</u> | <u>2,496,164</u> | <u>10,570,185</u> | <u>3,249,365</u> | <u>29,218,055</u> |
| End of year | <u>\$ 11,409,563</u> | <u>\$ 1,490,678</u> | <u>\$ 5,389,033</u> | <u>\$ 3,664,323</u> | <u>\$ 21,953,597</u> |

The notes to the basic financial statements
are an integral part of this statement.

**TRAVERSE CITY AREA PUBLIC SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006**

Net change in fund balances total governmental funds \$ (7,264,458)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation.

| | |
|----------------------|-------------|
| Depreciation expense | (4,502,892) |
| Capital outlay | 7,356,103 |

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

| | |
|---|-----------|
| Accrued interest payable, beginning of the year | 730,884 |
| Accrued interest payable, end of the year | (609,441) |

The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items and are as follows:

| | |
|--|-----------|
| Payments on debt | 7,885,248 |
| Amortization of bond issuance costs | (33,171) |
| Amortization of deferred loss on refunding | (66,516) |
| Amortization of bond premium | 81,915 |

Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:

| | |
|---|-----------|
| Deferred revenue, beginning of the year | (122,562) |
| Deferred revenue, end of the year | 97,330 |

Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

| | |
|--|--------------------|
| Accrued compensated absences and termination benefits, beginning of the year | 1,050,000 |
| Accrued compensated absences and termination benefits, end of the year | <u>(1,567,777)</u> |

| | |
|--|-----------------------------------|
| Change in net assets of governmental activities | <u><u>\$ 3,034,663</u></u> |
|--|-----------------------------------|

**TRAVERSE CITY AREA PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2006**

**Agency
fund**

ASSETS:

Cash

\$ 864,487

LIABILITIES:

Due to student and other groups

\$ 864,487

The notes to the basic financial statements
are an integral part of this statement.

TRAVERSE CITY AREA PUBLIC SCHOOLS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2006

| | Private purpose trust fund |
|--|---|
| | <hr/> |
| ADDITIONS: | |
| Donations | \$ 2,500 |
| Interest | <hr/> 3,044 |
| Total additions | <hr/> 5,544 |
| DEDUCTIONS: | |
| Scholarships awarded | 1,900 |
| Other | 4,208 |
| Transfer to Grand Traverse Regional Community Foundation | <hr/> 159,787 |
| Total deductions | <hr/> 165,895 |
| CHANGE IN NET ASSETS | (160,351) |
| NET ASSETS: | |
| Beginning of year | <hr/> 160,351 |
| End of year | <hr/> <hr/> \$ |

The notes to the basic financial statements
are an integral part of this statement.

TRAVERSE CITY AREA PUBLIC SCHOOLS NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Traverse City Area Public Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The Traverse City Area Public Schools (the "District") is governed by the Traverse City Area Public Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (Continued)

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental Funds - Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund. Included are all transactions related to the approved current operating budget.

The *2004 and 2005 capital projects* fund accounts for the receipt of debt proceeds and the acquisition or construction of capital facilities or equipment held by the District.

The *capital projects funds* account for the receipt of debt proceeds and the acquisition of fixed assets or construction of major capital projects.

The capital projects funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of §1351a of the Revised School Code.

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (Concluded)

The following is a summary of the revenue and expenditures for the 2004 and 2005 school bonds' activity:

| | <u>2004 bonds</u> | <u>2005 bonds</u> |
|----------------------------|---------------------|---------------------|
| Revenue | <u>\$ 132,389</u> | <u>\$ 332,506</u> |
| Expenditures and transfers | <u>\$ 2,641,711</u> | <u>\$ 5,943,473</u> |

The above revenue figures do not include original 2004 and 2005 school bond proceeds of \$4,000,000 and \$11,000,000, respectively.

Other Non-major Funds

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service, community services and athletic activities in the special revenue funds.

The debt service fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds. The District maintains debt service funds for the 1997, 1998, 2001, QZAB, 2004, 2005, 2004 refunding and 2005 refunding bond issues.

The *capital projects funds* account for the receipt of debt proceeds and transfers from the general fund for the acquisition of fixed assets or construction of major capital projects.

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *private purpose trust fund* is accounted for using the accrual method of accounting. Private purpose trust funds account for assets where both the principal and interest may be spent. These funds are not reported on the District financial statements.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation

Accrual Method

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

Modified Accrual Method

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2006, the foundation allowance was based on pupil membership counts taken in February and September of 2005.

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Concluded)

State Revenue (Concluded)

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2005 to August 2006. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs.

State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

D. Other Accounting Policies

1. Cash and cash equivalents include amounts in demand deposits and money market accounts.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40, *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

2. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2006, the District levied the following amounts per \$1,000 of assessed valuation:

| Fund | Mills |
|---|---------|
| General Fund - Non-homestead | 18.0000 |
| Debt service fund - Homestead and non-homestead | 3.1000 |

3. Inventories and Prepaid Expenditures

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories in the special revenue funds consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Inventories for commodities are recorded as deferred revenue. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

4. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All receivables, including property taxes receivable, are shown net of an allowance for uncollectibles.

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

5. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

| | |
|-------------------------------|--------------|
| Buildings and additions | 50 years |
| Furniture and other equipment | 5 - 15 years |

The District's capitalization policy is to capitalize individual amounts exceeding \$5,000. Group purchases are evaluated on a case by case basis.

6. Compensated Absences

The District's policies generally provide for granting vacation and sick leave with pay. The current and long-term liability for compensated absences is reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations or retirements.

7. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method over the term of the related debt.

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

D. Other Accounting Policies (Concluded)

7. Long-term Obligations (Concluded)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

9. Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Continued

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and major special revenue funds. All annual appropriations lapse at year end. Encumbrance accounting is employed in governmental funds. These commitments will be re-appropriated during the subsequent year. There were no material outstanding encumbrances at year end.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general and major special revenue funds. Encumbrance accounting is employed in the governmental funds.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2006. The District does not consider these amendments to be significant.

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Continued

NOTE 3 - DEPOSITS AND INVESTMENTS

As of June 30, 2006 the District had the following investments:

| Investment Type | Fair value | Weighted average maturity (years) | Standard & Poor's Rating | % |
|--|--------------------|--|---|---------------|
| MILAF External Investment pool - MIMAX | \$ 1,179,202 | 0.0027 | AAAm | 27.56% |
| MBIA External Investment pool - CLASS | 73,864 | 0.0027 | AAA | 1.73% |
| U.S. Agency Notes and Bonds | 2,676,805 | 0.9166 | AAA | 62.56% |
| U.S. Treasury Notes | 348,933 | 0.7363 | AAA | 8.15% |
| Total fair value | <u>\$4,278,804</u> | | | <u>100.0%</u> |
| Portfolio weighted average maturity | | <u>0.2945</u> | | |

1 day maturity equals 0.0027, one year equals 1.00

The District voluntarily invests certain excess funds in external pooled investment funds, which included money market funds. The pooled investment funds utilized by the District are the Michigan Investment Liquid Asset Fund (MILAF), and the MBIA Class fund. These are external pooled investment funds of “qualified” investments for Michigan school districts. MILAF and MBIA are not regulated nor are they registered with the SEC. MILAF and MBIA report as of June 30, 2006, the fair value of the District’s investments is the same as the value of the pool shares.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District’s cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). The District does not allow direct investment in commercial paper or corporate bonds.

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District’s investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The District will take steps to ensure that no more than 40% of its funds are invested in the same investment pool or held by the same bank.

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Continued

NOTE 3 - DEPOSITS AND INVESTMENTS (Concluded)

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2006, \$20,971,983 of the District's bank balance of \$21,771,983 was exposed to custodial credit risk because it was uninsured and uncollateralized. Interest bearing accounts and certificates of deposit are included in the above totals.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

The above amounts as previously reported in Note 3:

| | |
|---|-----------------------------|
| Deposits - including fiduciary funds of \$864,487 | \$ 19,007,931 |
| Investments | <u>4,278,804</u> |
| | <u><u>\$ 23,286,735</u></u> |

The above amounts are reported in the financial statements as follows:

| | |
|---|-----------------------------|
| Cash Agency fund | \$ 864,487 |
| District wide: | |
| Cash | 14,051,881 |
| Restricted cash - capital projects | 4,091,563 |
| Investments | 1,253,066 |
| Restricted investments - capital projects | <u>3,025,738</u> |
| | <u><u>\$ 23,286,735</u></u> |

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Continued

NOTE 4 - CAPITAL ASSETS

A summary of changes in the District's capital assets follows:

| | Balance July 1, 2005 | Additions | Deletions | Balance June 30, 2006 |
|---------------------------------------|-------------------------|---------------------|-------------------|--------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 3,171,600 | \$ | \$ | \$ 3,171,600 |
| Construction in progress | 267,832 | 4,624,040 | 812,513 | 4,079,359 |
| | 3,439,432 | 4,624,040 | 812,513 | 7,250,959 |
| Capital assets being depreciated: | | | | |
| Land improvements | 1,296,825 | 347,996 | | 1,644,821 |
| Buildings and additions | 141,356,314 | 709,097 | | 142,065,411 |
| Machinery and equipment | 8,846,507 | 1,587,299 | | 10,433,806 |
| Transportation equipment | 7,727,697 | 900,184 | 781,938 | 7,845,943 |
| Subtotal | 159,227,343 | 3,544,576 | 781,938 | 161,989,981 |
| Less accumulated depreciation: | | | | |
| Land improvements | 511,824 | 67,312 | | 579,136 |
| Buildings and additions | 41,376,714 | 2,872,117 | | 44,248,831 |
| Machinery and equipment | 5,088,140 | 1,018,522 | | 6,106,662 |
| Transportation equipment | 5,839,891 | 544,941 | 781,938 | 5,602,894 |
| | 52,816,569 | 4,502,892 | 781,938 | 56,537,523 |
| Net capital assets | <u>\$ 109,850,206</u> | <u>\$ 3,665,724</u> | <u>\$ 812,513</u> | <u>\$ 112,703,417</u> |

Depreciation for the fiscal year ended June 30, 2006 amounted to \$4,502,892.

Depreciation expense was charged to programs of the government as follows:

| | |
|------------------------------|---------------------|
| Instructional | \$ 24,212 |
| Support service | 961,405 |
| Athletics | 36,668 |
| Food service | 314 |
| Outgoing transfers and other | 77,362 |
| Unallocated | 3,402,931 |
| | <u>\$ 4,502,892</u> |

Depreciation of capital assets that serve multiple functions is recorded as unallocated.

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Continued

NOTE 5 - LONG-TERM DEBT

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

The following is a summary of governmental long-term obligations for the District for the year ended June 30, 2006:

| | Accumulated compensated absences | Accumulated severance benefits | Bonds and other debt | Total |
|--------------------------|--|--------------------------------------|-------------------------|----------------------|
| Balance, July 1, 2005 | \$ 358,000 | \$ 692,000 | \$ 79,464,798 | \$ 80,514,798 |
| Additions | | 549,777 | | 549,777 |
| Deletions | <u>32,000</u> | <u></u> | <u>7,900,648</u> | <u>7,932,648</u> |
| Balance, June 30, 2006 | 326,000 | 1,241,777 | 71,564,150 | 73,131,927 |
| Less current portion | <u>326,000</u> | <u>203,240</u> | <u>8,391,507</u> | <u>8,920,747</u> |
| Total due after one year | <u>\$</u> | <u>\$ 1,038,537</u> | <u>\$ 63,172,643</u> | <u>\$ 64,211,180</u> |

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Continued

NOTE 5 - LONG-TERM DEBT (Continued)

Bonds payable at June 30, 2006 is comprised of the following issues:

| | |
|--|-----------------------------|
| 1997 school building and site bonds due in annual installments of \$600,000 through May 1, 2007, with interest at 7.25%. | \$ 600,000 |
| 1998 refunding bonds due in annual installments of \$1,640,000 to \$2,565,000 through May 1, 2020, with interest at 4.20% to 5.05%. | 33,345,000 |
| 2001 school building and site bonds due in annual installments of \$800,000 to \$825,000 through May 1, 2014, with interest at 3.50% to 4.40%. | 6,500,000 |
| 2004 refunding bonds due in annual installments of \$1,840,000 to \$2,680,000 through May 1, 2009, with interest at 2.00% to 2.75%. | 7,100,000 |
| 2004 school building and site bonds due in annual installments of \$275,000 through May 1, 2014, with interest at 3.00% to 4.10%. | 2,200,000 |
| 2005 school building and site bonds due in annual installments of \$775,000 to \$2,000,000 through May 1, 2015, with interest at 3.00% to 4.00%. | 9,000,000 |
| 2005 refunding bonds due in annual installments of \$25,000 to \$1,245,000 through May 1, 2017, with interest at 3.00% to 5.00%. | 11,110,000 |
| Plus: premiums on bond issuance, net of amortization | 704,170 |
| Less: deferred losses on bond refundings, net of amortization | <u>(447,830)</u> |
| Total general obligation bonded debt | 70,111,340 |
| 1998 limited obligation bonds (Durant bonds) due in annual installments of \$73,577 to \$339,211 through May 15, 2013, with interest at 4.76%. Certain state aid payments have been pledged as security. | 856,950 |
| Note payable - buses - due in annual installments of \$297,930 from July 15, 2006 to July 15, 2007, with an interest rate of 0.00% (QZAB debt) | 595,860 |
| Other accrued benefits: | |
| Obligation under contract for compensated absences | 326,000 |
| Obligation under contract for termination benefits - severance | <u>1,241,777</u> |
| Total general long term debt | <u><u>\$ 73,131,927</u></u> |

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Continued

NOTE 5 - LONG-TERM DEBT (Continued)

The District records a liability for compensated absences and other retirement commitments based on individual contracts.

The Durant bonds, including interest, were issued in anticipation of payment to the District as appropriated and to be appropriated by the State of Michigan under Section 11g(3) of Act 94 (State Aid payments). The District has pledged and assigned to the bondholder all rights to these State Aid payments as security for the Bond.

In prior years, the District has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earning from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the District's government-wide financial statements. As of June 30, 2006, \$50,775,000 of bonds outstanding are considered defeased.

At June 30, 2006, \$1,796,531 is available to service the general obligation debt.

The annual requirements to amortize debt outstanding as of June 30, 2006, including interest payments of \$19,393,360 are as follows:

| Year ending June 30, | Principal | Interest | Amounts payable |
|-----------------------------------|----------------------|----------------------|----------------------|
| 2007 | \$ 8,391,507 | \$ 2,931,984 | \$ 11,323,491 |
| 2008 | 7,632,141 | 2,788,877 | 10,421,018 |
| 2009 | 7,190,771 | 2,431,817 | 9,622,588 |
| 2010 | 5,794,612 | 2,167,104 | 7,961,716 |
| 2011 | 5,803,643 | 1,932,636 | 7,736,279 |
| 2012-2016 | 25,605,135 | 5,894,274 | 31,499,409 |
| 2017-2020 | 10,890,000 | 1,246,668 | 12,136,668 |
| | 71,307,809 | 19,393,360 | 90,701,169 |
| Premium on bond issuance | 704,171 | | 704,171 |
| Deferred amount on bond refunding | (447,830) | | (447,830) |
| Compensated absences | 326,000 | | 326,000 |
| Termination benefits | 1,241,777 | | 1,241,777 |
| | <u>\$ 73,131,927</u> | <u>\$ 19,393,360</u> | <u>\$ 92,525,287</u> |

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Continued

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES:

Interfund payable and receivable balances at June 30, 2006 are as follows:

| <u>Payable fund</u> | | <u>Receivable fund</u> | |
|---------------------|-------------------|------------------------|-------------------|
| QZAB | \$ 1,723 | General | \$ 1,723 |
| General | <u>152,144</u> | Food service | <u>152,144</u> |
| | <u>\$ 153,867</u> | | <u>\$ 153,867</u> |

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made. All amounts are expected to be repaid within one year.

NOTE 7 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN

Plan Description - The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPERS provides retirement survivor and disability benefits and postretirement benefits for health, dental and vision for substantially all employees of the District. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909-7671 or by calling (800) 381-5111.

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Continued

NOTE 7 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Concluded)

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPSERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rate for the year ended June 30, 2006 was 14.87% of payroll through September 30, 2005, and 16.34% for October 1, 2005 through June 30, 2006. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District contributions to MPSERS for the year ended June 30, 2006, 2005 and 2004 were \$8,605,011, \$7,822,624 and \$6,864,763, respectively, and were equal to the required contribution for those years.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

Other Post-employment Benefits - Retirees have the option of health coverage, which is funded on a cash basis disbursement basis by the employers. The System has contracted to provide comprehensive group medical, hearing, dental, and vision coverage for retirees and beneficiaries. A significant portion of the premium is paid by the System with the balance deducted from the monthly pension.

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Concluded

NOTE 8 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2006 or any of the prior three years.

NOTE 9 - CONTINGENCIES

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the District's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the District.

NOTE 10 - INTERFUND TRANSFERS

The general fund transferred \$99,310 to the debt service fund, \$1,203,805 to the athletic fund, \$25,622 to the community services fund, and \$330,462 to the capital projects fund.

The transfers to the athletic fund and community services fund were used to fund operations, the transfer to the debt service fund is for the future retirement of debt, and the transfer to the capital projects fund was for the acquisition of fixed assets or construction of major capital projects.

NOTE 11 - COMMITMENTS

The District has active capital projects outstanding at June 30, 2006. Approximately \$6,900,000 is committed and recorded as fund balance in the 2004 and 2005 capital projects funds.

REQUIRED SUPPLEMENTARY INFORMATION

**TRAVERSE CITY AREA PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2006**

| | Original budget | Final budget | Actual | Variance with final budget- positive (negative) |
|--|----------------------------|-------------------------|----------------------|--|
| REVENUES: | | | | |
| Local sources | \$ 28,229,312 | \$ 30,313,778 | \$ 30,553,044 | \$ 239,266 |
| State sources | 49,884,708 | 48,958,466 | 48,450,477 | (507,989) |
| Federal sources | 2,708,453 | 3,731,417 | 3,097,615 | (633,802) |
| Incoming transfers and other | 1,412,670 | 1,823,146 | 1,780,819 | (42,327) |
| Total revenues | 82,235,143 | 84,826,807 | 83,881,955 | (944,852) |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Basic programs | 41,364,422 | 42,128,444 | 41,716,679 | 411,765 |
| Added needs | 8,969,294 | 9,514,257 | 8,815,800 | 698,457 |
| Total instruction | 50,333,716 | 51,642,701 | 50,532,479 | 1,110,222 |
| Supporting services: | | | | |
| Pupil | 3,369,614 | 3,553,745 | 3,397,580 | 156,165 |
| Instructional staff | 4,031,700 | 4,574,487 | 4,091,337 | 483,150 |
| General administration | 632,630 | 639,429 | 562,333 | 77,096 |
| School administration | 5,415,303 | 5,636,328 | 5,646,721 | (10,393) |
| Business | 1,509,193 | 1,638,589 | 1,543,529 | 95,060 |
| Operation/maintenance | 9,004,890 | 9,037,376 | 8,778,002 | 259,374 |
| Pupil transportation | 5,733,091 | 6,320,072 | 6,180,088 | 139,984 |
| Central | 2,380,002 | 2,390,103 | 2,279,528 | 110,575 |
| Other | 510,682 | 440,414 | 391,644 | 48,770 |
| Total supporting services | 32,587,105 | 34,230,543 | 32,870,762 | 1,359,781 |
| Community service activities | 167,962 | 367,442 | 305,458 | 61,984 |
| Outgoing transfers and other transactions | 486,046 | 213,958 | 176,047 | 37,911 |
| Total expenditures | 83,574,829 | 86,454,644 | 83,884,746 | 2,569,898 |
| DEFICIENCY OF REVENUES UNDER EXPENDITURES | (1,339,686) | (1,627,837) | (2,791) | 1,625,046 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Operating transfers from other funds | 99,475 | 206,385 | 169,212 | (37,173) |
| Operating transfers to other funds | (1,449,907) | (1,823,411) | (1,659,199) | 164,212 |
| Total other financing uses | (1,350,432) | (1,617,026) | (1,489,987) | 127,039 |
| NET CHANGE IN FUND BALANCE | \$ (2,690,118) | \$ (3,244,863) | (1,492,778) | \$ 1,752,085 |
| FUND BALANCE: | | | | |
| Beginning of year | | | 12,902,341 | |
| End of year | | | <u>\$ 11,409,563</u> | |

ADDITIONAL INFORMATION

**TRAVERSE CITY AREA PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
YEAR ENDED JUNE 30, 2006**

| | Final budget | Actual | Variance with final budget- positive (negative) |
|--|-------------------------|----------------------|--|
| LOCAL SOURCES: | | | |
| Property taxes | \$ 28,071,994 | \$ 28,116,822 | \$ 44,828 |
| Tuition | 31,717 | 22,003 | (9,714) |
| Investment earnings | 900,000 | 932,273 | 32,273 |
| Other local revenue | 1,310,067 | 1,481,946 | 171,879 |
| TOTAL LOCAL SOURCES | 30,313,778 | 30,553,044 | 239,266 |
| STATE SOURCES: | | | |
| Foundation grant | 43,755,136 | 43,742,725 | (12,411) |
| Special education | 3,063,790 | 3,049,629 | (14,161) |
| At risk | 1,557,266 | 1,131,527 | (425,739) |
| Other state revenue | 582,274 | 526,596 | (55,678) |
| TOTAL STATE SOURCES | 48,958,466 | 48,450,477 | (507,989) |
| FEDERAL SOURCES: | | | |
| Title I | 1,396,234 | 1,241,013 | (155,221) |
| Title II - improving teacher quality | 562,834 | 554,344 | (8,490) |
| Drug-free schools and communities | 59,038 | 50,864 | (8,174) |
| Other federal revenue | 1,713,311 | 1,251,394 | (461,917) |
| TOTAL FEDERAL SOURCES | 3,731,417 | 3,097,615 | (633,802) |
| INCOMING TRANSFERS AND OTHER TRANSACTIONS: | | | |
| Special education | 1,493,892 | 1,511,683 | 17,791 |
| Other | 329,254 | 269,136 | (60,118) |
| TOTAL INCOMING TRANSFERS AND OTHER TRANSACTIONS | 1,823,146 | 1,780,819 | (42,327) |
| TOTAL REVENUES | 84,826,807 | 83,881,955 | (944,852) |
| OTHER FINANCING SOURCES: | | | |
| Operating transfers | 206,385 | 169,212 | (37,173) |
| TOTAL REVENUES AND OTHER FINANCING SOURCES | \$ 85,033,192 | \$ 84,051,167 | \$ (982,025) |

**TRAVERSE CITY AREA PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2006**

| | Final budget | Actual | Variance with final budget- positive (negative) |
|------------------------|-------------------------|-------------------|--|
| INSTRUCTION: | | | |
| Basic programs: | | | |
| Elementary: | | | |
| Salaries | \$ 14,152,584 | \$ 14,069,334 | \$ 83,250 |
| Benefits | 6,407,086 | 6,401,789 | 5,297 |
| Purchased services | 312,777 | 318,038 | (5,261) |
| Supplies and materials | 367,114 | 273,025 | 94,089 |
| Capital outlay | 7,435 | 59,361 | (51,926) |
| Total elementary | <u>21,246,996</u> | <u>21,121,547</u> | <u>125,449</u> |
| Middle school: | | | |
| Salaries | 6,853,382 | 6,896,027 | (42,645) |
| Benefits | 3,183,206 | 3,197,587 | (14,381) |
| Purchased services | 95,181 | 109,124 | (13,943) |
| Supplies and materials | 226,218 | 180,254 | 45,964 |
| Other expenses | 500 | 667 | (167) |
| Capital outlay | 3,800 | 33,849 | (30,049) |
| Total middle school | <u>10,362,287</u> | <u>10,417,508</u> | <u>(55,221)</u> |
| High school: | | | |
| Salaries | 6,414,084 | 6,400,225 | 13,859 |
| Benefits | 2,945,524 | 2,941,377 | 4,147 |
| Purchased services | 191,822 | 209,034 | (17,212) |
| Supplies and materials | 406,593 | 314,208 | 92,385 |
| Other expenses | 25,459 | 2,557 | 22,902 |
| Capital outlay | 320,244 | 121,162 | 199,082 |
| Total high school | <u>10,303,726</u> | <u>9,988,563</u> | <u>315,163</u> |
| Pre-school: | | | |
| Salaries | 130,213 | 121,112 | 9,101 |
| Benefits | 54,336 | 50,232 | 4,104 |
| Purchased services | 1,100 | 227 | 873 |
| Supplies and materials | 15,982 | 6,191 | 9,791 |
| Other expenses | 140 | 140 | |
| Total Pre-school | <u>201,771</u> | <u>177,902</u> | <u>23,869</u> |
| Summer school: | | | |
| Salaries | 9,636 | 8,761 | 875 |
| Benefits | 1,928 | 1,981 | (53) |
| Purchased services | 1,100 | 213 | 887 |
| Supplies and materials | 1,000 | 204 | 796 |
| Total summer school | <u>13,664</u> | <u>11,159</u> | <u>2,505</u> |
| Total basic programs | <u>42,128,444</u> | <u>41,716,679</u> | <u>411,765</u> |

**TRAVERSE CITY AREA PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEAR ENDED JUNE 30, 2006
(Continued)**

| | <u>Final budget</u> | <u>Actual</u> | <u>Variance with final budget positive (negative)</u> |
|---------------------------------|-------------------------|-------------------|---|
| INSTRUCTION (Concluded): | | | |
| Added needs: | | | |
| Special education: | | | |
| Salaries | \$ 4,454,781 | \$ 4,325,902 | \$ 128,879 |
| Benefits | 1,982,073 | 1,940,957 | 41,116 |
| Purchased services | 100 | 98 | 2 |
| Supplies and materials | 29,087 | 26,326 | 2,761 |
| Other expenses | 3,203 | | 3,203 |
| Capital outlay | 7,876 | 8,287 | (411) |
| | <u>6,477,120</u> | <u>6,301,570</u> | <u>175,550</u> |
| Total special education | | | |
| Compensatory education: | | | |
| Salaries | 1,441,230 | 1,308,348 | 132,882 |
| Benefits | 579,869 | 572,669 | 7,200 |
| Purchased services | 12,120 | 9,608 | 2,512 |
| Supplies and materials | 343,657 | 152,946 | 190,711 |
| Other expenses | 178,758 | | 178,758 |
| | <u>2,555,634</u> | <u>2,043,571</u> | <u>512,063</u> |
| Total compensatory education | | | |
| Vocational education: | | | |
| Salaries | 275,141 | 270,240 | 4,901 |
| Benefits | 125,513 | 124,602 | 911 |
| Purchased services | 261 | 402 | (141) |
| Supplies and materials | 80,588 | 43,461 | 37,127 |
| Capital outlay | | 31,954 | (31,954) |
| | <u>481,503</u> | <u>470,659</u> | <u>10,844</u> |
| Total vocational education | | | |
| Total added needs | <u>9,514,257</u> | <u>8,815,800</u> | <u>698,457</u> |
| TOTAL INSTRUCTION | <u>51,642,701</u> | <u>50,532,479</u> | <u>1,110,222</u> |

TRAVERSE CITY AREA PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEAR ENDED JUNE 30, 2006
(Continued)

| | <u>Final budget</u> | <u>Actual</u> | <u>Variance with final budget positive (negative)</u> |
|------------------------------|-------------------------|------------------|---|
| SUPPORTING SERVICES: | | | |
| Pupil services: | | | |
| Salaries | \$ 2,471,980 | \$ 2,384,132 | \$ 87,848 |
| Benefits | 984,286 | 956,671 | 27,615 |
| Purchased services | 59,691 | 25,029 | 34,662 |
| Supplies and materials | 33,842 | 23,694 | 10,148 |
| Other expenses | 1,378 | 5,496 | (4,118) |
| Capital outlay | 2,568 | 2,558 | 10 |
| | <u>3,553,745</u> | <u>3,397,580</u> | <u>156,165</u> |
| Total pupil services | | | |
| | <u>3,553,745</u> | <u>3,397,580</u> | <u>156,165</u> |
| Instructional staff: | | | |
| Salaries | 2,443,410 | 2,364,101 | 79,309 |
| Benefits | 885,851 | 841,761 | 44,090 |
| Purchased services | 630,206 | 403,126 | 227,080 |
| Supplies and materials | 403,043 | 346,317 | 56,726 |
| Other expenses | 104,944 | 20,340 | 84,604 |
| Capital outlay | 107,033 | 115,692 | (8,659) |
| | <u>4,574,487</u> | <u>4,091,337</u> | <u>483,150</u> |
| Total instructional staff | | | |
| | <u>4,574,487</u> | <u>4,091,337</u> | <u>483,150</u> |
| General administration: | | | |
| Salaries | 284,032 | 266,526 | 17,506 |
| Benefits | 115,775 | 96,785 | 18,990 |
| Purchased services | 171,285 | 162,256 | 9,029 |
| Supplies and materials | 15,584 | 7,123 | 8,461 |
| Other expenses | 40,853 | 23,499 | 17,354 |
| Capital outlay | 11,900 | 6,144 | 5,756 |
| | <u>639,429</u> | <u>562,333</u> | <u>77,096</u> |
| Total general administration | | | |
| | <u>639,429</u> | <u>562,333</u> | <u>77,096</u> |

TRAVERSE CITY AREA PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEAR ENDED JUNE 30, 2006
(Continued)

| | Final budget | Actual | Variance with final budget positive (negative) |
|--|-------------------------|---------------|---|
| SUPPORTING SERVICES (Continued) : | | | |
| School administration: | | | |
| Salaries | \$ 3,975,496 | \$ 4,004,039 | \$ (28,543) |
| Benefits | 1,544,703 | 1,524,376 | 20,327 |
| Purchased services | 54,865 | 64,557 | (9,692) |
| Supplies and materials | 27,763 | 29,496 | (1,733) |
| Other expenses | 33,501 | 24,253 | 9,248 |
| | <hr/> | <hr/> | <hr/> |
| Total school administration | 5,636,328 | 5,646,721 | (10,393) |
| | <hr/> | <hr/> | <hr/> |
| Business services: | | | |
| Salaries | 827,427 | 815,330 | 12,097 |
| Benefits | 381,299 | 365,190 | 16,109 |
| Purchased services | 232,158 | 183,572 | 48,586 |
| Supplies and materials | 66,767 | 60,983 | 5,784 |
| Other expenses | 124,402 | 117,671 | 6,731 |
| Capital outlay | 6,536 | 783 | 5,753 |
| | <hr/> | <hr/> | <hr/> |
| Total business services | 1,638,589 | 1,543,529 | 95,060 |
| | <hr/> | <hr/> | <hr/> |
| Operations and maintenance: | | | |
| Salaries | 3,509,571 | 3,365,731 | 143,840 |
| Benefits | 1,768,167 | 1,701,537 | 66,630 |
| Purchased services | 1,242,842 | 1,279,780 | (36,938) |
| Supplies and materials | 2,448,627 | 2,409,325 | 39,302 |
| Other expenses | 10,920 | 4,580 | 6,340 |
| Capital outlay | 57,249 | 17,049 | 40,200 |
| | <hr/> | <hr/> | <hr/> |
| Total operations and maintenance | 9,037,376 | 8,778,002 | 259,374 |
| | <hr/> | <hr/> | <hr/> |

**TRAVERSE CITY AREA PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEAR ENDED JUNE 30, 2006
(Continued)**

| | Final budget | Actual | Variance with final budget positive (negative) |
|---|-------------------------|---------------|---|
| SUPPORTING SERVICES (Concluded): | | | |
| Transportation: | | | |
| Salaries | \$ 2,945,821 | \$ 3,013,585 | \$ (67,764) |
| Benefits | 1,812,818 | 1,815,056 | (2,238) |
| Purchased services | 512,403 | 347,538 | 164,865 |
| Supplies and materials | 955,620 | 945,144 | 10,476 |
| Other expenses | 11,015 | 8,446 | 2,569 |
| Capital outlay | 82,395 | 50,319 | 32,076 |
| | <hr/> | <hr/> | <hr/> |
| Total transportation | 6,320,072 | 6,180,088 | 139,984 |
| | <hr/> | <hr/> | <hr/> |
| Central services: | | | |
| Salaries | 1,260,597 | 1,242,952 | 17,645 |
| Benefits | 539,325 | 521,476 | 17,849 |
| Purchased services | 426,410 | 358,457 | 67,953 |
| Supplies and materials | 58,882 | 49,271 | 9,611 |
| Other expenses | 11,866 | 4,337 | 7,529 |
| Capital outlay | 93,023 | 103,035 | (10,012) |
| | <hr/> | <hr/> | <hr/> |
| Total central services | 2,390,103 | 2,279,528 | 110,575 |
| | <hr/> | <hr/> | <hr/> |
| Other support services: | | | |
| Salaries | 197,055 | 195,203 | 1,852 |
| Benefits | 53,176 | 48,741 | 4,435 |
| Purchased services | 133,240 | 117,630 | 15,610 |
| Supplies and materials | 9,840 | 4,611 | 5,229 |
| Other expenses | 47,103 | 25,459 | 21,644 |
| | <hr/> | <hr/> | <hr/> |
| Total other support services | 440,414 | 391,644 | 48,770 |
| | <hr/> | <hr/> | <hr/> |
| TOTAL SUPPORTING SERVICES | 34,230,543 | 32,870,762 | 1,359,781 |
| | <hr/> | <hr/> | <hr/> |

**TRAVERSE CITY AREA PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEAR ENDED JUNE 30, 2006
(Concluded)**

| | Final budget | Actual | Variance with final budget positive (negative) |
|---|-------------------------|----------------------|---|
| COMMUNITY SERVICES: | | | |
| Salaries | \$ 134,587 | \$ 132,833 | \$ 1,754 |
| Benefits | 41,886 | 46,548 | (4,662) |
| Purchased services | 122,060 | 93,446 | 28,614 |
| Supplies and materials | 32,731 | 23,211 | 9,520 |
| Other expenses | 12,178 | 9,189 | 2,989 |
| Capital outlay | 24,000 | 231 | 23,769 |
| TOTAL COMMUNITY SERVICES | 367,442 | 305,458 | 61,984 |
| OUTGOING TRANSFERS AND OTHER: | | | |
| Payments to other governmental units | 60,000 | 50,397 | 9,603 |
| Prior year adjustments | 14,938 | 87 | 14,851 |
| Capital outlay | 139,020 | 125,563 | 13,457 |
| TOTAL OUTGOING TRANSFERS AND OTHER | 213,958 | 176,047 | 37,911 |
| TOTAL EXPENDITURES | \$ 86,454,644 | \$ 83,884,746 | \$ 2,569,898 |

**TRAVERSE CITY AREA PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2006**

| | <u>Special revenue</u> | <u>Debt service</u> | <u>Nonmajor capital projects</u> | <u>Total nonmajor governmental funds</u> |
|--|----------------------------|-------------------------|--|--|
| ASSETS | | | | |
| ASSETS: | | | | |
| Cash and cash equivalents | \$ 1,066,944 | \$ 1,792,228 | \$ 326,012 | \$ 3,185,184 |
| Accounts receivable | 57,623 | | | 57,623 |
| Delinquent taxes receivable | | 33,065 | | 33,065 |
| Due from other governmental units | 264,084 | | | 264,084 |
| Due from other funds | 152,144 | | | 152,144 |
| Inventories | 128,309 | | | 128,309 |
| | <u>128,309</u> | <u> </u> | <u> </u> | <u>128,309</u> |
| TOTAL ASSETS | <u>\$ 1,669,104</u> | <u>\$ 1,825,293</u> | <u>\$ 326,012</u> | <u>\$ 3,820,409</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES: | | | | |
| Accounts payable | \$ 80,336 | \$ | \$ 5,999 | \$ 86,335 |
| Due to other funds | | 1,723 | | 1,723 |
| Deferred revenue | 40,989 | 27,039 | | 68,028 |
| | <u>40,989</u> | <u>27,039</u> | <u> </u> | <u>68,028</u> |
| TOTAL LIABILITIES | <u>121,325</u> | <u>28,762</u> | <u>5,999</u> | <u>156,086</u> |
| FUND BALANCES: | | | | |
| Reserved for inventories | 128,309 | | | 128,309 |
| Reserved for debt service | | 1,796,531 | | 1,796,531 |
| Unreserved, undesignated | 1,419,470 | | 320,013 | 1,739,483 |
| | <u>1,419,470</u> | <u> </u> | <u>320,013</u> | <u>1,739,483</u> |
| TOTAL FUND BALANCES | <u>1,547,779</u> | <u>1,796,531</u> | <u>320,013</u> | <u>3,664,323</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 1,669,104</u> | <u>\$ 1,825,293</u> | <u>\$ 326,012</u> | <u>\$ 3,820,409</u> |

TRAVERSE CITY AREA PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2006

| | Special revenue | Debt service | Nonmajor capital projects | Total nonmajor governmental funds |
|--|--------------------|-----------------|---------------------------------|--|
| REVENUES: | | | | |
| Local sources: | | | | |
| Property taxes | \$ | \$ 10,726,504 | \$ | \$ 10,726,504 |
| Investment earnings | 17,745 | 250,728 | | 268,473 |
| Food sales and admissions | 2,871,154 | | | 2,871,154 |
| Tuition | 1,453,634 | | | 1,453,634 |
| Other | 597,576 | | 479,335 | 1,076,911 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total local sources | 4,940,109 | 10,977,232 | 479,335 | 16,396,676 |
| State sources | 160,286 | 101,916 | | 262,202 |
| Federal sources | 2,025,866 | | | 2,025,866 |
| Intermediate school district | 237,523 | | | 237,523 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total revenues | 7,363,784 | 11,079,148 | 479,335 | 18,922,267 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Food service activities | 4,538,296 | | | 4,538,296 |
| Athletic activities | 1,561,165 | | | 1,561,165 |
| Community service activity | 1,681,648 | | | 1,681,648 |
| Outgoing transfers and other transactions | 272,696 | | | 272,696 |
| Capital outlay | 104,855 | | 610,155 | 715,010 |
| Debt service: | | | | |
| Principal repayment | | 7,885,249 | | 7,885,249 |
| Interest expense | | 3,304,689 | | 3,304,689 |
| Other expense | | 38,543 | | 38,543 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total expenditures | 8,158,660 | 11,228,481 | 610,155 | 19,997,296 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| DEFICIENCY OF REVENUES UNDER EXPENDITURES | (794,876) | (149,333) | (130,820) | (1,075,029) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Operating transfers from other funds | 1,229,427 | 99,310 | 330,462 | 1,659,199 |
| Operating transfers to other funds | (169,212) | | | (169,212) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total other financing sources | 1,060,215 | 99,310 | 330,462 | 1,489,987 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| NET CHANGE IN FUND BALANCES | 265,339 | (50,023) | 199,642 | 414,958 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| FUND BALANCES: | | | | |
| Beginning of year | 1,282,440 | 1,846,554 | 120,371 | 3,249,365 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| End of year | \$ 1,547,779 | \$ 1,796,531 | \$ 320,013 | \$ 3,664,323 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

**TRAVERSE CITY AREA PUBLIC SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2006**

| | <u>Food service</u> | <u>Athletic</u> | <u>Community Services</u> | <u>Totals</u> |
|--|-------------------------|-------------------|-------------------------------|---------------------|
| ASSETS | | | | |
| ASSETS: | | | | |
| Cash and cash equivalents | \$ 269,409 | \$ 19,227 | \$ 778,308 | \$ 1,066,944 |
| Accounts receivable | 33,126 | | 24,497 | 57,623 |
| Due from other governmental units | 82,465 | | 181,619 | 264,084 |
| Due from other funds | 152,144 | | | 152,144 |
| Inventories | 128,309 | | | 128,309 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| TOTAL ASSETS | <u>\$ 665,453</u> | <u>\$ 19,227</u> | <u>\$ 984,424</u> | <u>\$ 1,669,104</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES: | | | | |
| Accounts payable | \$ 37,749 | \$ 1,079 | \$ 41,508 | \$ 80,336 |
| Deferred revenue | 11,013 | 2,500 | 27,476 | 40,989 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| TOTAL LIABILITIES | <u>48,762</u> | <u>3,579</u> | <u>68,984</u> | <u>121,325</u> |
| FUND BALANCES: | | | | |
| Unreserved/reserved for inventories | 128,309 | | | 128,309 |
| Undesignated | 488,382 | 15,648 | 915,440 | 1,419,470 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| TOTAL FUND BALANCES | <u>616,691</u> | <u>15,648</u> | <u>915,440</u> | <u>1,547,779</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 665,453</u> | <u>\$ 19,227</u> | <u>\$ 984,424</u> | <u>\$ 1,669,104</u> |

**TRAVERSE CITY AREA PUBLIC SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2006**

| | Food service | Athletic | Community Services | Totals |
|--|-------------------------|-----------------|-------------------------------|---------------|
| REVENUES: | | | | |
| Sales | \$ 2,521,870 | \$ | \$ | \$ 2,521,870 |
| Tuition | | | 1,453,634 | 1,453,634 |
| State aid | 160,286 | | | 160,286 |
| Federal aid | 1,404,885 | | 620,981 | 2,025,866 |
| Intermediate school district | | | 237,523 | 237,523 |
| Admissions | | 313,158 | 36,126 | 349,284 |
| Investment earnings | 17,745 | | | 17,745 |
| Other | 540,174 | 48,577 | 8,825 | 597,576 |
| Total revenues | 4,644,960 | 361,735 | 2,357,089 | 7,363,784 |
| EXPENDITURES: | | | | |
| Cost of goods sold - net | 2,406,583 | | | 2,406,583 |
| Salaries and wages | 1,337,539 | 780,777 | 1,043,785 | 3,162,101 |
| Employee benefits | 444,706 | 208,492 | 486,649 | 1,139,847 |
| Contracted services | 244,986 | 449,577 | 75,867 | 770,430 |
| Materials and supplies | 94,711 | 10,829 | 66,910 | 172,450 |
| Capital outlay | 63,520 | 28,759 | 12,576 | 104,855 |
| Miscellaneous | 9,771 | 111,490 | 8,437 | 129,698 |
| Outgoing transfers and other transactions | | | 272,696 | 272,696 |
| Total expenditures | 4,601,816 | 1,589,924 | 1,966,920 | 8,158,660 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 43,144 | (1,228,189) | 390,169 | (794,876) |
| OTHER FINANCING SOURCES (USES): | | | | |
| Operating transfers from other funds | | 1,203,805 | 25,622 | 1,229,427 |
| Operating transfers to other funds | | | (169,212) | (169,212) |
| Total other financing sources (uses) | | 1,203,805 | (143,590) | 1,060,215 |
| NET CHANGE IN FUND BALANCES | 43,144 | (24,384) | 246,579 | 265,339 |
| FUND BALANCES: | | | | |
| Beginning of year | 573,547 | 40,032 | 668,861 | 1,282,440 |
| End of year | \$ 616,691 | \$ 15,648 | \$ 915,440 | \$ 1,547,779 |

**TRAVERSE CITY AREA PUBLIC SCHOOLS
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2006**

| | <u>1997</u> | <u>1998</u> | <u>2001</u> | <u>QZAB</u> | <u>2004</u> | <u>2005</u> | <u>2004 Refunding</u> | <u>2005 Refunding</u> | <u>Total Nonmajor</u> |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------------|---------------------------|---------------------------|
| ASSETS | | | | | | | | | |
| ASSETS: | | | | | | | | | |
| Cash and cash equivalents | \$ 207,909 | \$ 191,002 | \$ 129,412 | \$ 498,273 | \$ 229,958 | \$ 205,437 | \$ 189,822 | \$ 140,415 | \$ 1,792,228 |
| Delinquent taxes receivable | | | | | 33,065 | | | | 33,065 |
| TOTAL ASSETS | <u>\$ 207,909</u> | <u>\$ 191,002</u> | <u>\$ 129,412</u> | <u>\$ 498,273</u> | <u>\$ 263,023</u> | <u>\$ 205,437</u> | <u>\$ 189,822</u> | <u>\$ 140,415</u> | <u>\$ 1,825,293</u> |
| LIABILITIES AND FUND BALANCES | | | | | | | | | |
| LIABILITIES: | | | | | | | | | |
| Deferred revenue | \$ | \$ | \$ | \$ | 27,039 | \$ | \$ | \$ | \$ 27,039 |
| Due to other governmental funds | | | | 1,723 | | | | | 1,723 |
| TOTAL LIABILITIES | | | | <u>1,723</u> | <u>27,039</u> | | | | <u>28,762</u> |
| FUND BALANCES: | | | | | | | | | |
| Reserved for debt service | <u>207,909</u> | <u>191,002</u> | <u>129,412</u> | <u>496,550</u> | <u>235,984</u> | <u>205,437</u> | <u>189,822</u> | <u>140,415</u> | <u>1,796,531</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 207,909</u> | <u>\$ 191,002</u> | <u>\$ 129,412</u> | <u>\$ 498,273</u> | <u>\$ 263,023</u> | <u>\$ 205,437</u> | <u>\$ 189,822</u> | <u>\$ 140,415</u> | <u>\$ 1,825,293</u> |

**TRAVERSE CITY AREA PUBLIC SCHOOLS
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2006**

| | <u>1997</u> | <u>1998</u> | <u>1998 Durant</u> | <u>2001</u> | <u>QZAB</u> | <u>2004</u> | <u>2005</u> | <u>2004 Refunding</u> | <u>2005 Refunding</u> | <u>Total Nonmajor</u> |
|--|-------------------|-------------------|------------------------|-------------------|-------------------|-------------------|-------------------|---------------------------|---------------------------|---------------------------|
| REVENUES: | | | | | | | | | | |
| Local sources: | | | | | | | | | | |
| Property taxes | \$ 670,482 | \$ 2,888,244 | \$ | \$ 876,786 | \$ | \$ 321,961 | \$ 2,527,213 | \$ 2,767,893 | \$ 673,925 | \$ 10,726,504 |
| State sources | | | 101,916 | | | | | | | 101,916 |
| Interest | 21,313 | 54,930 | | 27,471 | | 14,850 | 52,395 | 70,723 | 9,046 | 250,728 |
| Total revenues | 691,795 | 2,943,174 | 101,916 | 904,257 | | 336,811 | 2,579,608 | 2,838,616 | 682,971 | 11,079,148 |
| EXPENDITURES: | | | | | | | | | | |
| Redemption of bonds | 600,000 | 1,350,000 | 70,249 | 800,000 | | 275,000 | 2,000,000 | 2,790,000 | | 7,885,249 |
| Interest on bonded debt | 87,000 | 1,655,738 | 31,667 | 290,650 | | 91,025 | 375,738 | 224,500 | 548,371 | 3,304,689 |
| Other | 2,594 | 10,180 | | 3,249 | | 1,111 | 8,886 | 9,736 | 2,787 | 38,543 |
| Total expenditures | 689,594 | 3,015,918 | 101,916 | 1,093,899 | | 367,136 | 2,384,624 | 3,024,236 | 551,158 | 11,228,481 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 2,201 | (72,744) | | (189,642) | | (30,325) | 194,984 | (185,620) | 131,813 | (149,333) |
| OTHER FINANCING SOURCES: | | | | | | | | | | |
| Operating transfers from other funds | | | | | 99,310 | | | | | 99,310 |
| NET CHANGE IN FUND BALANCES | 2,201 | (72,744) | | (189,642) | 99,310 | (30,325) | 194,984 | (185,620) | 131,813 | (50,023) |
| FUND BALANCES: | | | | | | | | | | |
| Beginning of year | 205,708 | 263,746 | | 319,054 | 397,240 | 266,309 | 10,453 | 375,442 | 8,602 | 1,846,554 |
| End of year | <u>\$ 207,909</u> | <u>\$ 191,002</u> | <u>\$</u> | <u>\$ 129,412</u> | <u>\$ 496,550</u> | <u>\$ 235,984</u> | <u>\$ 205,437</u> | <u>\$ 189,822</u> | <u>\$ 140,415</u> | <u>\$ 1,796,531</u> |

**TRAVERSE CITY AREA PUBLIC SCHOOLS
NONMAJOR CAPITAL PROJECTS FUND
BALANCE SHEET
JUNE 30, 2006**

| | <u>Capital projects</u> | <u>2006 Capital projects</u> | <u>Total Nonmajor Capital projects</u> |
|--|-----------------------------|--------------------------------------|--|
| ASSETS | | | |
| Cash | \$ 142,692 | \$ 183,320 | \$ 326,012 |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable | \$ 1,108 | \$ 4,891 | \$ 5,999 |
| FUND BALANCE | | | |
| Fund balance: | | | |
| Unreserved, undesignated | 141,584 | 178,429 | 320,013 |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 142,692</u> | <u>\$ 183,320</u> | <u>\$ 326,012</u> |

**TRAVERSE CITY AREA PUBLIC SCHOOLS
NONMAJOR CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2006**

| | <u>Capital projects</u> | <u>2006 Capital projects</u> | <u>Total Nonmajor Capital projects</u> |
|--|-----------------------------|--------------------------------------|--|
| REVENUE: | | | |
| Other local revenue | \$ 479,335 | \$ | \$ 479,335 |
| EXPENDITURES: | | | |
| Capital outlay | <u>458,122</u> | <u>152,033</u> | <u>610,155</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 21,213 | (152,033) | (130,820) |
| OTHER FINANCING SOURCES | | | |
| Operating transfers from other funds | <u></u> | <u>330,462</u> | <u>330,462</u> |
| NET CHANGE IN FUND BALANCE | 21,213 | 178,429 | 199,642 |
| FUND BALANCE: | | | |
| Beginning of year | <u>120,371</u> | <u></u> | <u>120,371</u> |
| End of year | <u><u>\$ 141,584</u></u> | <u><u>\$ 178,429</u></u> | <u><u>\$ 320,013</u></u> |

**TRAVERSE CITY AREA PUBLIC SCHOOLS
FIDUCIARY FUND TYPES
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND LIABILITIES BY ACTIVITY - AGENCY FUND
YEAR ENDED JUNE 30, 2006**

| | Balance 07/01/05 | Additions | Deductions | Balance 06/30/06 |
|----------------------------|-----------------------------|---------------------|---------------------|-----------------------------|
| Business Finance | \$ 2,260 | \$ 1,945 | \$ 1,934 | \$ 2,271 |
| Blair | 17,161 | 30,077 | 21,413 | 25,825 |
| Bertha Vos | 12,050 | 21,648 | 20,872 | 12,826 |
| Curriculum | 7,326 | 27,645 | 33,394 | 1,577 |
| Central | 46,595 | 40,387 | 34,287 | 52,695 |
| Cherry Knoll | 34,200 | 21,035 | 24,211 | 31,024 |
| Courtade | 15,100 | 32,626 | 30,272 | 17,454 |
| Central Senior | 119,959 | 374,699 | 405,770 | 88,888 |
| District | 49,739 | 47,936 | 40,539 | 57,136 |
| Great Lakes Food Coop. | 2,116 | 56,218 | 52,146 | 6,188 |
| Eastern | 20,996 | 46,436 | 46,631 | 20,801 |
| East Junior | 40,295 | 113,283 | 108,264 | 45,314 |
| Elementary | 1,739 | 2,639 | 1,845 | 2,533 |
| Glen Loomis | 1,693 | 10,570 | 9,516 | 2,747 |
| Interlochen | 22,224 | 40,805 | 41,150 | 21,879 |
| Junior High | 61 | | | 61 |
| Long Lake | 15,252 | 25,509 | 28,041 | 12,720 |
| Montessori | 4,755 | 14,234 | 16,044 | 2,945 |
| Maintenance | 191 | | | 191 |
| Music | 24,768 | 107,049 | 121,513 | 10,304 |
| Norris | 16,835 | 23,076 | 25,131 | 14,780 |
| Nursing | 6,494 | 12,178 | 8,531 | 10,141 |
| Old Mission | 30,034 | 19,479 | 14,332 | 35,181 |
| Oak Park | 14,746 | 4,800 | 14,981 | 4,565 |
| Quality Schools | | 4,786 | | 4,786 |
| Reading Recovery | | 2,399 | | 2,399 |
| Sabin | 628 | 709 | 1,337 | |
| Saint Francis | 159 | | | 159 |
| Silver Lake | 19,611 | 47,546 | 42,884 | 24,273 |
| Special Programs | 3,109 | 8,500 | 7,557 | 4,052 |
| Superintendent | 14,278 | 5,248 | | 19,526 |
| Traverse Heights | 7,972 | 15,923 | 14,312 | 9,583 |
| Trinity Lutheran | (4) | | | (4) |
| Transportation | 3,433 | 5,425 | 3,938 | 4,920 |
| Traverse Senior | 16,172 | 11,196 | 10,204 | 17,164 |
| Willow Hill | 38,288 | 86,622 | 72,718 | 52,192 |
| West Junior | 28,622 | 91,057 | 100,123 | 19,556 |
| West Senior | 91,819 | 717,167 | 716,068 | 92,918 |
| Westwoods | 5,981 | 32,140 | 22,513 | 15,608 |
| West Junior - Athletics | 37,178 | 49,071 | 52,305 | 33,944 |
| Central Senior - Athletics | 7,755 | 142,030 | 116,638 | 33,147 |
| District - Athletics | | 21,353 | 21,353 | |
| East Junior - Athletics | 9,004 | 19,651 | 18,467 | 10,188 |
| West Senior - Athletics | 14,217 | 124,087 | 98,274 | 40,030 |
| | <u>\$ 804,811</u> | <u>\$ 2,459,184</u> | <u>\$ 2,399,508</u> | <u>\$ 864,487</u> |

**TRAVERSE CITY AREA PUBLIC SCHOOLS
BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2006**

1997 School Building and Site Bonds

| Calendar year | Interest rate | Principal due May 1, | Interest due | | Total due annually |
|------------------------|---------------|-------------------------|--------------|------------|-----------------------|
| | | | May 1 | November 1 | |
| 2006 | 7.25% | \$ | \$ | \$ 21,750 | \$ 21,750 |
| 2007 | 7.25% | 600,000 | 21,750 | | 621,750 |
| Total 1997 bonded debt | | \$ 600,000 | \$ 21,750 | \$ 21,750 | \$ 643,500 |

The above bonds dated May 1, 1997 were issued for the purpose of remodeling, equipping, and re-equipping school buildings; and improving sites in the school district. The amount of the original issue was \$15,000,000.

TRAVERSE CITY AREA PUBLIC SCHOOLS
BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2006
(Continued)

1998 Refunding Bonds

| Calendar year | Interest rate | Principal due May 1, | Interest due | | Total due annually |
|------------------------|---------------|-------------------------|---------------------|---------------------|-----------------------|
| | | | May 1 | November 1 | |
| 2006 | 4.20% | \$ | \$ | \$ 799,519 | \$ 799,519 |
| 2007 | 4.30% | 1,640,000 | 799,519 | 764,259 | 3,203,778 |
| 2008 | 4.35% | 1,935,000 | 764,259 | 722,172 | 3,421,431 |
| 2009 | 4.40% | 2,455,000 | 722,172 | 668,163 | 3,845,335 |
| 2010 | 4.50% | 2,565,000 | 668,163 | 610,450 | 3,843,613 |
| 2011 | 4.60% | 2,545,000 | 610,450 | 551,915 | 3,707,365 |
| 2012 | 4.70% | 2,525,000 | 551,915 | 492,577 | 3,569,492 |
| 2013 | 4.80% | 2,505,000 | 492,577 | 432,458 | 3,430,035 |
| 2014 | 5.05% | 2,490,000 | 432,458 | 369,585 | 3,292,043 |
| 2015 | 5.05% | 2,480,000 | 369,585 | 306,965 | 3,156,550 |
| 2016 | 5.05% | 2,465,000 | 306,965 | 244,724 | 3,016,689 |
| 2017 | 5.05% | 2,455,000 | 244,724 | 182,735 | 2,882,459 |
| 2018 | 5.05% | 2,440,000 | 182,735 | 121,125 | 2,743,860 |
| 2019 | 5.00% | 2,430,000 | 121,125 | 60,375 | 2,611,500 |
| 2020 | 5.00% | 2,415,000 | 60,375 | | 2,475,375 |
| Total 1998 bonded debt | | <u>\$ 33,345,000</u> | <u>\$ 6,327,022</u> | <u>\$ 6,327,022</u> | <u>\$ 45,999,044</u> |

The above bonds dated October 1, 1998 were issued for the purpose of refunding bonds issued in prior years. The amount of the original bond issue was \$34,920,000.

TRAVERSE CITY AREA PUBLIC SCHOOLS
BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2006
(Continued)

2001 School Building and Site Bonds

| Calendar year | Interest rate | Principal due May 1 | Interest due | | Total due annually |
|------------------------|---------------|------------------------|-------------------|-------------------|-----------------------|
| | | | May 1 | November 1 | |
| 2006 | 3.50% | \$ | \$ | \$ 131,325 | \$ 131,325 |
| 2007 | 3.65% | 800,000 | 131,325 | 116,725 | 1,048,050 |
| 2008 | 3.75% | 800,000 | 116,725 | 101,725 | 1,018,450 |
| 2009 | 3.90% | 800,000 | 101,725 | 86,125 | 987,850 |
| 2010 | 4.00% | 800,000 | 86,125 | 70,125 | 956,250 |
| 2011 | 4.10% | 825,000 | 70,125 | 53,212 | 948,337 |
| 2012 | 4.20% | 825,000 | 53,212 | 35,888 | 914,100 |
| 2013 | 4.30% | 825,000 | 35,888 | 18,150 | 879,038 |
| 2014 | 4.40% | 825,000 | 18,150 | | 843,150 |
| Total 2001 bonded debt | | <u>\$ 6,500,000</u> | <u>\$ 613,275</u> | <u>\$ 613,275</u> | <u>\$ 7,726,550</u> |

The above bonds dated August 1, 2001 were issued for the purpose of remodeling, equipping, and re-equipping school buildings; and improving sites in the school district. The amount of the original bond issue was \$10,000,000.

TRAVERSE CITY AREA PUBLIC SCHOOLS
BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2006
(Continued)

2004 Refunding Bonds

| Calendar year | Interest rate | Principal due May 1, | Interest due | | Total due annually |
|------------------------|---------------|-------------------------|-------------------|-------------------|-----------------------|
| | | | May 1 | November 1 | |
| 2006 | 2.00% | \$ | \$ | \$ 84,350 | \$ 84,350 |
| 2007 | 2.00% | 2,680,000 | 84,350 | 57,550 | 2,821,900 |
| 2008 | 2.50% | 2,580,000 | 57,550 | 25,300 | 2,662,850 |
| 2009 | 2.75% | 1,840,000 | 25,300 | | 1,865,300 |
| Total 2004 bonded debt | | <u>\$ 7,100,000</u> | <u>\$ 167,200</u> | <u>\$ 167,200</u> | <u>\$7,434,400</u> |

The above bonds dated March 16, 2004 were issued for the purpose of refunding bonds issued in prior years. The amount of the original bond issue was \$12,720,000.

TRAVERSE CITY AREA PUBLIC SCHOOLS
BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2006
(Continued)

2004 School Building and Site Bonds

| Calendar year | Interest rate | Principal due May 1 | Interest due | | Total due annually |
|------------------------|---------------|------------------------|-------------------|-------------------|-----------------------|
| | | | May 1 | November 1 | |
| 2006 | 3.00% | \$ | \$ | \$ 41,387 | \$ 41,387 |
| 2007 | 3.00% | 275,000 | 41,387 | 37,263 | 353,650 |
| 2008 | 3.50% | 275,000 | 37,263 | 32,450 | 344,713 |
| 2009 | 3.75% | 275,000 | 32,450 | 27,294 | 334,744 |
| 2010 | 3.75% | 275,000 | 27,294 | 22,137 | 324,431 |
| 2011 | 4.00% | 275,000 | 22,137 | 16,638 | 313,775 |
| 2012 | 4.00% | 275,000 | 16,638 | 11,137 | 302,775 |
| 2013 | 4.00% | 275,000 | 11,137 | 5,638 | 291,775 |
| 2014 | 4.10% | 275,000 | 5,638 | | 280,638 |
| Total 2004 bonded debt | | <u>\$ 2,200,000</u> | <u>\$ 193,944</u> | <u>\$ 193,944</u> | <u>\$ 2,587,888</u> |

The above bonds dated June 1, 2004 were issued for the purpose of remodeling, equipping, and re-equipping school buildings; and improving sites in the school district. The amount of the original bond issue was \$4,000,000.

TRAVERSE CITY AREA PUBLIC SCHOOLS
BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2006
(Continued)

2005 School Building and Site Bonds

| Calendar year | Interest rate | Principal due May 1 | Interest due | | Total due annually |
|------------------------|---------------|------------------------|-------------------|-------------------|-----------------------|
| | | | May 1 | November 1 | |
| 2006 | 3.50% | \$ | \$ | \$ 152,869 | \$ 152,869 |
| 2007 | 3.00% | 2,000,000 | 152,869 | 122,869 | 2,275,738 |
| 2008 | 3.00% | 775,000 | 122,869 | 111,244 | 1,009,113 |
| 2009 | 3.25% | 800,000 | 111,244 | 98,244 | 1,009,488 |
| 2010 | 3.25% | 825,000 | 98,244 | 84,837 | 1,008,081 |
| 2011 | 3.45% | 850,000 | 84,837 | 70,175 | 1,005,012 |
| 2012 | 3.50% | 900,000 | 70,175 | 54,425 | 1,024,600 |
| 2013 | 3.70% | 925,000 | 54,425 | 37,312 | 1,016,737 |
| 2014 | 3.75% | 950,000 | 37,312 | 19,500 | 1,006,812 |
| 2015 | 4.00% | 975,000 | 19,500 | | 994,500 |
| Total 2005 bonded debt | | <u>\$ 9,000,000</u> | <u>\$ 751,475</u> | <u>\$ 751,475</u> | <u>\$ 10,502,950</u> |

The above bonds dated May 1, 2005 were issued for the purpose of erecting, furnishing and equipping an addition or additions and/or remodeling, refurnishing, equipping and re-equipping existing school facilities; acquiring, installing, equipping, and re-equipping school facilities for educational technology improvements; purchasing buses and developing and improving sites, including playgrounds and outdoor physical education and athletic facilities. The amount of the original bond issue was \$11,000,000.

TRAVERSE CITY AREA PUBLIC SCHOOLS
BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2006
(Continued)

2005 Refunding Bonds

| Calendar year | Interest rate | Principal due May 1, | Interest due | | Total due annually |
|------------------------|---------------|-------------------------|---------------------|---------------------|-----------------------|
| | | | May 1 | November 1 | |
| 2006 | 3.00% | \$ | \$ | \$ 235,819 | \$ 235,819 |
| 2007 | 3.00% | 25,000 | 235,819 | 235,444 | 496,263 |
| 2008 | 3.00% | 630,000 | 235,444 | 225,994 | 1,091,438 |
| 2009 | 3.00% | 940,000 | 225,994 | 211,894 | 1,377,888 |
| 2010 | 3.25% | 1,245,000 | 211,894 | 191,662 | 1,648,556 |
| 2011 | 4.00% | 1,220,000 | 191,662 | 167,262 | 1,578,924 |
| 2012 | 3.75% | 1,205,000 | 167,262 | 144,669 | 1,516,931 |
| 2013 | 5.00% | 1,185,000 | 144,669 | 115,044 | 1,444,713 |
| 2014 | 5.00% | 1,175,000 | 115,044 | 85,669 | 1,375,713 |
| 2015 | 5.00% | 1,170,000 | 85,669 | 56,418 | 1,312,087 |
| 2016 | 4.75% | 1,165,000 | 56,418 | 28,750 | 1,250,168 |
| 2017 | 5.00% | 1,150,000 | 28,750 | | 1,178,750 |
| Total 2005 bonded debt | | <u>\$ 11,110,000</u> | <u>\$ 1,698,625</u> | <u>\$ 1,698,625</u> | <u>\$ 14,507,250</u> |

The above bonds dated March 3, 2005 were issued for the purpose of refunding bonds issued in prior years. The amount of the original bond issue was \$11,110,000.

TRAVERSE CITY AREA PUBLIC SCHOOLS
BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2006
(Concluded)

1998 School Improvement Bonds (Durant Bonds)

| <u>Calendar year</u> | <u>Interest rate</u> | <u>Principal due May 15</u> | <u>Interest due May 15</u> | <u>Total due annually</u> |
|------------------------|----------------------|---------------------------------|--------------------------------|-------------------------------|
| 2007 | 4.76% | \$ 73,577 | \$ 28,322 | \$ 101,899 |
| 2008 | 4.76% | 339,211 | 141,733 | 480,944 |
| 2009 | 4.76% | 80,771 | 21,148 | 101,919 |
| 2010 | 4.76% | 84,612 | 17,302 | 101,914 |
| 2011 | 4.76% | 88,643 | 13,274 | 101,917 |
| 2012 | 4.76% | 92,858 | 9,053 | 101,911 |
| 2013 | 4.76% | 97,278 | 4,632 | 101,910 |
| Total 1998 bonded debt | | <u>\$ 856,950</u> | <u>\$ 235,464</u> | <u>\$ 1,092,414</u> |

This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under Section 11g(3) of Act 94 to the School District (the "State Aid Payments"). The School District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to statutory lien in favor of the Authority as authorized by Act 94. This bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The School District, as requested by the Authority, hereby irrevocably authorizes the payment of the State Aid Payments directly to the Authority's Depository.

**TRAVERSE CITY AREA PUBLIC SCHOOLS
SCHEDULE OF INSTALLMENT NOTE PAYABLE
YEAR ENDED JUNE 30, 2006**

\$595,860 installment note payable dated July 15, 2001 for purchase of buses (QZAB Debt)

| <u>Calendar year</u> | <u>Interest rate</u> | <u>Principal due July 15</u> |
|----------------------|----------------------|----------------------------------|
| 2006 | 0.00% | \$ 297,930 |
| 2007 | 0.00% | 297,930 |
| | | <u>\$ 595,860</u> |

**TRAVERSE CITY AREA PUBLIC SCHOOLS
SCHEDULE OF PROPERTY TAX DATA
YEAR ENDED JUNE 30, 2006**

| | | | | Tax Levy (Mills) | | |
|---|-------------------------|-------------------------|-------------------------|------------------|---------------|------|
| | 2006 | | | Operating | | |
| | Homestead | Non-Homestead | Total | Homestead | Non-Homestead | Debt |
| Other Information: | | | | | | |
| State-equalized valuation of property assessed in the Traverse City Area School District: | | | | | | |
| Grand Traverse County: | | | | | | |
| Acme Township | \$ 124,093,180 | \$ 107,166,550 | \$ 231,259,730 | 6.0 | 18.0 | 3.1 |
| Blair Township | 104,076,054 | 69,389,114 | 173,465,168 | 6.0 | 18.0 | 3.1 |
| East Bay Township | 227,262,499 | 159,134,441 | 386,396,940 | 6.0 | 18.0 | 3.1 |
| Garfield Township | 267,998,375 | 481,812,805 | 749,811,180 | 6.0 | 18.0 | 3.1 |
| Grant Township | 9,654,521 | 6,676,019 | 16,330,540 | 6.0 | 18.0 | 3.1 |
| Green Lake Township | 116,246,449 | 76,446,311 | 192,692,760 | 6.0 | 18.0 | 3.1 |
| Long Lake Township | 231,091,179 | 91,295,361 | 322,386,540 | 6.0 | 18.0 | 3.1 |
| Peninsula Township | 329,888,747 | 125,061,304 | 454,950,051 | 6.0 | 18.0 | 3.1 |
| Union Township | 5,588,447 | 6,457,103 | 12,045,550 | 6.0 | 18.0 | 3.1 |
| Whitewater Township | 119,480 | 415,720 | 535,200 | 6.0 | 18.0 | 3.1 |
| City of Traverse City | 245,975,462 | 350,040,431 | 596,015,893 | 6.0 | 18.0 | 3.1 |
| Leelanau County: | | | | | | |
| Elmwood Township | 140,828,336 | 60,557,431 | 201,385,767 | 6.0 | 18.0 | 3.1 |
| Solon Township | 31,577,159 | 9,849,054 | 41,426,213 | 6.0 | 18.0 | 3.1 |
| Traverse City Annexed | 1,534,755 | 8,442,373 | 9,977,128 | 6.0 | 18.0 | 3.1 |
| Benzie County - Almira Township | 24,335,537 | 3,851,167 | 28,186,704 | 6.0 | 18.0 | 3.1 |
| Total | \$ 1,860,270,180 | \$ 1,556,595,184 | \$ 3,416,865,364 | | | |
| Official Student Enrollment | | | 10,810 | | | |

TRAVERSE CITY AREA PUBLIC SCHOOLS
PROPERTY TAX DATA
JUNE 30, 2006

| <u>Year Levied</u> | <u>Delinquent July 1, 2005</u> | <u>Original tax levy</u> | <u>Collections, adjustments, and write-offs</u> | <u>Delinquent June 30, 2006</u> |
|--------------------------|------------------------------------|------------------------------|---|-------------------------------------|
| General Fund | | | | |
| 2005 | \$ | \$ 28,014,021 | \$ 27,897,294 | \$ 116,727 |
| 2004 | 145,859 | | 65,413 | 80,446 |
| 2003 | 96,087 | | 96,087 | |
| Total General Fund | 241,946 | 28,014,021 | 28,058,794 | 197,173 |
| Debt Service Fund | | | | |
| 2005 | | 10,645,035 | 10,625,921 | 19,114 |
| 2004 | 25,237 | | 11,285 | 13,952 |
| 2003 | 15,604 | | 15,604 | |
| Total Debt Service Funds | 40,841 | 10,645,035 | 10,652,810 | 33,066 |
| Total | <u>\$ 282,787</u> | <u>\$ 38,659,056</u> | <u>\$ 38,711,604</u> | <u>\$ 230,239</u> |

TRAVERSE CITY AREA PUBLIC SCHOOLS
GENERAL FUND BALANCE DESIGNATIONS BY BUILDING
JUNE 30, 2006

| Site | Amount |
|------------------------|------------|
| Bertha Vos | \$ 17,466 |
| Blair | 8,438 |
| Central Grade | 12,633 |
| Courtade | 12,430 |
| Eastern | 9,441 |
| Glenn Loomis | 13,960 |
| Interlochen | 9,055 |
| Long Lake | 11,568 |
| Montessori | 14,994 |
| Norris | 989 |
| Old Mission | 7,078 |
| Traverse Heights | 7,544 |
| Westwoods | 3,433 |
| Willow Hill | 29,117 |
| East Jr. High | 15,776 |
| West Jr. High | 29,829 |
| West Sr. High | 31,362 |
| Traverse City Sr. High | 222,423 |
| | <hr/> |
| | \$ 457,536 |

STATISTICAL SECTION
Unaudited

**Traverse City Area Public Schools
Comprehensive Annual Financial Report
Statistical Section
2005-2006**

The Statistical section contains a wide array of financial and other information that covers several years and reflects social, economic, and financial trends of the District and the area in which the District operates. This section is designed to give the reader a more thorough understanding of the District as a whole than is available in the basic financial statements taken in isolation. As referenced in the transmittal letter in the introductory section of this CAFR, the data contained in this section has been updated to comply with GASB 44. One of the requirements of GASB 44 is that these schedules be segregated into various categories as noted below:

FINANCIAL TRENDS

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

REVENUE CAPACITY

These schedules contain information to help the reader assess the District's revenue generating capacity. It should be noted, as discussed earlier in the transmittal letter, that school funding in Michigan is based on a per student "foundation" amount that is determined by the State of Michigan. Some of the amount determined by the state is raised locally through a millage on "non-homestead" property taxes. The state makes up the difference between what is raised locally and what is the state determined revenue amount due to our district. As such, the District's ability to generate unrestricted revenues via local property taxes is severely limited.

DEBT CAPACITY

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

DEMOGRAPHIC & ECONOMIC INFORMATION

These schedules present demographic and economic indicators to help the reader understand the economic environment within which the District operates.

OPERATIONAL INFORMATION

These schedules contain infrastructure information to help the reader understand physical plant aspects of the District's operation.

It should be noted that many of the schedules within the categories described above contain overlapping information. For example, certain demographic and economic information contains property values that can be used to determine debt capacity. Also, certain financial trend information contains student cost by function information that may be considered for demographic purposes. The point is that these schedules are divided into sections so that they relate to their primary purpose (e.g., financial trend, operating, etc.), but contain information that may overlap the purposes defined by these sections.

Special note should also be made that because the revenue capacity and debt capacity information overlaps so closely in our District, we have combined these two sections into one section titled "Revenue and Debt Capacity". This was done so as to make the information more meaningful to the reader and to avoid providing excessively redundant information on the same property values used to show both revenue and debt capacity.

**Traverse City Area Public Schools
Comprehensive Annual Financial Report
Statistical Section
2005-2006**

FINANCIAL TRENDS

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Financial Trends
Net Assets by Component
2003-2006¹

| | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| ASSETS | | | | |
| Current Assets: | | | | |
| Cash and cash equivalents | \$ 17,118,917 | \$ 18,547,684 | \$ 15,142,053 | \$ 14,051,881 |
| Investments | 516,837 | 2,930,602 | 15,163,819 | 1,253,066 |
| Receivables: | | | | |
| Accounts receivable | 183,325 | 120,212 | 177,816 | 141,359 |
| Interest receivable | 8,872 | | 47,854 | 119,671 |
| Taxes receivable | 216,013 | 302,391 | 282,787 | 230,239 |
| Due from other governmental units | 9,962,183 | 9,699,079 | 10,289,840 | 9,715,454 |
| Inventories | 122,517 | 148,038 | 171,840 | 195,716 |
| Prepaid expenditures | 105,792 | 101,940 | 150,252 | 87,309 |
| Restricted cash and cash equivalents-capital projects ² | | | | 4,091,563 |
| Restricted investments - capital projects ² | | | | 3,025,738 |
| Total Current Assets | 28,234,456 | 31,849,946 | 41,426,261 | 32,911,996 |
| Noncurrent Assets: | | | | |
| Deferred charges, net of amortization | | 114,250 | 244,038 | 210,867 |
| Capital assets | 158,153,369 | 160,545,730 | 162,666,775 | 169,240,940 |
| Less accumulated depreciation | (45,588,966) | (49,245,365) | (52,816,569) | (56,537,523) |
| Total Noncurrent Assets | 112,564,403 | 111,414,615 | 110,094,244 | 112,914,284 |
| Total Assets | \$ 140,798,859 | \$ 143,264,561 | \$ 151,520,505 | \$ 145,826,280 |
| LIABILITIES AND NET ASSETS | | | | |
| Current Liabilities: | | | | |
| Accounts payable | \$ 353,397 | \$ 837,270 | \$ 892,536 | \$ 1,052,801 |
| Accrued salaries and related items | 9,634,628 | 9,587,136 | 10,344,083 | 9,037,426 |
| Accrued interest | 660,354 | 626,333 | 730,884 | 609,441 |
| Accrued expenses | 123,409 | 103,722 | 123,982 | |
| Deferred revenue | 1,507,490 | 715,732 | 725,042 | 770,842 |
| Current portion of long-term obligations | 5,364,244 | 6,912,647 | 8,183,179 | 8,391,507 |
| Current portion of compensated absences and retirement incentives | 356,181 | 354,689 | 559,003 | 529,240 |
| Total Current Liabilities | 17,999,703 | 19,137,529 | 21,558,709 | 20,391,257 |
| Noncurrent Liabilities: | | | | |
| Noncurrent portion of long-term obligations | 71,610,706 | 68,556,366 | 71,281,619 | 63,172,643 |
| Noncurrent portion of compensated absences and retirement incentives | 547,271 | 517,432 | 490,997 | 1,038,537 |
| Total Noncurrent Liabilities | 72,157,977 | 69,073,798 | 71,772,616 | 64,211,180 |
| Total Liabilities | 90,157,680 | 88,211,327 | 93,331,325 | 84,602,437 |
| Net Assets: | | | | |
| Invested in capital assets net of related debt | 37,958,814 | 39,880,280 | 43,695,795 | 48,229,845 |
| Restricted for debt service | 841,240 | 1,303,880 | 1,115,670 | 1,187,090 |
| Unrestricted | 11,841,125 | 13,869,074 | 13,377,715 | 11,806,908 |
| Total Net Assets | 50,641,179 | 55,053,234 | 58,189,180 | 61,223,843 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 140,798,859 | \$ 143,264,561 | \$ 151,520,505 | \$ 145,826,280 |

¹ Government-wide schedules were not completed prior to the implementation of GASB 34 in 2003.

² Presentation changed to separate Capital Projects assets as "restricted" in fiscal year 2006.

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Financial Trends
Changes in Net Assets
2003-2006¹

| | Fiscal Year | | | |
|---|----------------------|---------------------|----------------------|----------------------|
| | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
| Expenses: | | | | |
| Governmental activities: | | | | |
| Instruction | \$ 46,890,132 | \$46,915,972 | \$ 48,823,122 | \$ 50,833,381 |
| Support services | 29,369,284 | 30,463,216 | 32,394,692 | 34,114,152 |
| Community services | 3,071,323 | 3,174,945 | 2,512,309 | 1,987,106 |
| Outgoing transfers and other transactions | 262,327 | 415,524 | 215,361 | 410,542 |
| Food services | 4,387,145 | 4,489,544 | 4,539,385 | 4,556,915 |
| Athletics | 1,529,701 | 1,551,804 | 1,557,295 | 1,597,833 |
| Interest on long-term debt | 3,936,728 | 3,642,192 | 3,331,954 | 3,183,246 |
| Unallocated depreciation | 4,139,306 | 3,584,607 | 3,464,631 | 3,402,931 |
| Total governmental expenses | <u>93,585,946</u> | <u>94,237,804</u> | <u>96,838,749</u> | <u>100,086,106</u> |
| Program Revenues: | | | | |
| Governmental activities: | | | | |
| Charges for services: | | | | |
| Instruction | 192,528 | 45,831 | 52,669 | 22,003 |
| Support services | 371,677 | 433,004 | 891,654 | 836,261 |
| Community services | 1,342,804 | 1,493,048 | 1,592,487 | 1,498,585 |
| Food services | 2,980,360 | 3,160,186 | 2,994,751 | 3,062,044 |
| Athletics | 305,044 | 336,878 | 383,830 | 361,734 |
| Total charges for services | <u>5,192,413</u> | <u>5,468,947</u> | <u>5,915,391</u> | <u>5,780,627</u> |
| Operating Grants: | | | | |
| Instruction | 3,348,752 | 3,126,176 | 3,113,302 | 3,156,191 |
| Support services | 1,390,495 | 1,352,268 | 1,505,095 | 1,785,806 |
| Community services | 1,815,914 | 1,941,286 | 869,774 | 359,612 |
| Outgoing transfers and other transactions | | | | 403,133 |
| Food services | 1,457,429 | 1,485,806 | 1,535,063 | 1,565,172 |
| Athletics | | 480 | | |
| Total operating grants | <u>8,012,590</u> | <u>7,906,016</u> | <u>7,023,234</u> | <u>7,269,914</u> |
| Total program revenues | <u>13,205,003</u> | <u>13,374,963</u> | <u>12,938,625</u> | <u>13,050,541</u> |
| Net (Expense) revenue and changes in net assets | <u>(80,380,943)</u> | <u>(80,862,841)</u> | <u>(83,900,124)</u> | <u>(87,035,565)</u> |
| General Revenues: | | | | |
| Property taxes, levied for general purposes | 22,385,551 | 23,660,115 | 25,924,215 | 28,095,521 |
| Property taxes, levied for debt service | 8,699,718 | 9,241,769 | 9,985,717 | 10,722,573 |
| Investment earnings | 344,627 | 167,568 | 639,026 | 1,542,518 |
| State sources | 51,048,922 | 49,685,396 | 47,489,558 | 46,792,354 |
| Gain on sale of fixed assets | | 83,708 | 32,253 | 25,030 |
| Traverse Bay Area ISD | 986,839 | 1,119,276 | 1,852,986 | 2,185,231 |
| Other | 821,500 | 1,317,064 | 1,112,315 | 707,001 |
| Total general revenues | <u>84,287,157</u> | <u>85,274,896</u> | <u>87,036,070</u> | <u>90,070,228</u> |
| CHANGE IN NET ASSETS | <u>3,906,214</u> | <u>4,412,055</u> | <u>3,135,946</u> | <u>3,034,663</u> |
| NET ASSETS , beginning of year | <u>46,734,965</u> | <u>50,641,179</u> | <u>55,053,234</u> | <u>58,189,180</u> |
| NET ASSETS , end of year | <u>\$ 50,641,179</u> | <u>\$55,053,234</u> | <u>\$ 58,189,180</u> | <u>\$ 61,223,843</u> |

¹ Government-wide schedules were not completed prior to the implementation of GASB 34 in 2003.

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Financial Trends
Fund Balances -Governmental Funds
1997-2006

| | Fiscal Year | | | | |
|--|----------------------|----------------------|----------------------|---------------------|---------------------|
| | <u>1997</u> | <u>1998</u> | <u>1999</u> | <u>2000</u> | <u>2001</u> |
| General Fund | | | | | |
| Reserved | \$ | \$ | \$ | \$ 42,720 | \$ |
| Designated | 622,695 | 947,339 | 123,399 | 53,680 | |
| Unreserved, undesignated | 6,327,732 | 5,934,506 | 6,391,337 | 6,268,880 | 8,073,614 |
| Total general fund | <u>6,950,427</u> | <u>6,881,845</u> | <u>6,514,736</u> | <u>6,365,280</u> | <u>8,073,614</u> |
| Other nonmajor governmental funds | | | | | |
| Special Revenue Funds | | | | | |
| Reserved | 85,429 | 89,432 | 99,914 | 90,704 | 89,914 |
| Unreserved | 57,908 | 175,933 | 251,645 | 277,198 | 252,160 |
| Debt Service Funds | | | | | |
| Reserved | | | | | 1,247,522 |
| Unreserved | 2,963,414 | 2,607,396 | 1,222,022 | 961,965 | |
| Capital Projects Funds | | | | | |
| Reserved | 39,130,092 | 20,346,771 | 4,175,146 | 1,236,933 | 12,753 |
| Unreserved nonmajor governmental funds | | | | | |
| Total nonmajor governmental funds | <u>42,236,843</u> | <u>23,219,532</u> | <u>5,748,727</u> | <u>2,566,800</u> | <u>1,602,349</u> |
| Total governmental funds | <u>\$ 49,187,270</u> | <u>\$ 30,101,377</u> | <u>\$ 12,263,463</u> | <u>\$ 8,932,080</u> | <u>\$ 9,675,963</u> |

| | Fiscal Year | | | | |
|--|----------------------|----------------------|----------------------|----------------------|---------------------|
| | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
| General Fund | | | | | |
| Reserved | \$ 116,310 | \$ 153,812 | \$ 150,301 | \$ 200,161 | \$ 154,716 |
| Designated | 4,383,508 | 5,729,071 | 4,812,646 | 5,211,023 | 4,496,361 |
| Unreserved, undesignated | 5,965,928 | 5,941,162 | 8,405,096 | 7,491,157 | 6,758,486 |
| Total general fund | <u>10,465,746</u> | <u>11,824,045</u> | <u>13,368,043</u> | <u>12,902,341</u> | <u>11,409,563</u> |
| Other nonmajor governmental funds | | | | | |
| Special Revenue Funds | | | | | |
| Reserved | 110,122 | 74,497 | 99,677 | 121,931 | 128,309 |
| Unreserved | 445,034 | 733,574 | 906,651 | 1,160,510 | 1,419,470 |
| Debt Service Funds | | | | | |
| Reserved | 1,276,747 | 1,494,686 | 1,930,213 | 1,846,554 | 1,796,531 |
| Major capital Projects Funds | | | | | |
| Reserved | 7,727,403 | | | 13,066,349 | 6,879,711 |
| Unreserved | | 2,369,361 | 3,934,678 | | |
| Unreserved nonmajor capital projects funds | | 33,911 | 83,644 | 120,371 | 320,013 |
| Total nonmajor governmental funds | <u>9,559,306</u> | <u>4,706,029</u> | <u>6,954,863</u> | <u>16,315,715</u> | <u>10,544,034</u> |
| Total governmental funds | <u>\$ 20,025,052</u> | <u>\$ 16,530,074</u> | <u>\$ 20,322,906</u> | <u>\$ 29,218,056</u> | <u>\$21,953,597</u> |

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Financial Trends
Changes in Fund Balances - Governmental Funds
1997-2006

| | Fiscal Year¹ | | | | |
|---|--------------------------------|-----------------------|-----------------------|-----------------------|--------------------|
| Revenues | <u>1997</u> | <u>1998</u> | <u>1999</u> | <u>2000</u> | <u>2001</u> |
| Local sources: | | | | | |
| Property taxes | \$ 21,244,782 | \$ 22,943,848 | \$ 23,566,546 | \$25,283,686 | \$ 26,858,117 |
| Tuition | - | - | - | - | 911,205 |
| Investment earnings | 1,174,219 | 1,050,154 | 847,549 | 945,485 | 1,034,252 |
| Food sales, athletics, and community service | 2,096,913 | 2,362,375 | 2,769,841 | 2,998,317 | 3,099,492 |
| Other | 2,195,354 | 2,596,756 | 3,134,194 | 1,407,935 | 877,005 |
| Total local sources | 26,711,268 | 28,953,133 | 30,318,130 | 30,635,423 | 32,780,071 |
| State sources | 45,567,776 | 45,348,349 | 45,851,735 | 46,819,361 | 48,740,340 |
| Federal sources | 2,113,225 | 2,305,103 | 2,909,646 | 3,004,703 | 2,794,558 |
| Incoming transfers | 886,619 | 1,455,956 | 1,058,343 | 785,414 | 1,653,376 |
| Intermediate sources | - | - | - | - | - |
| Total revenues | 75,278,888 | 78,062,541 | 80,137,854 | 81,244,901 | 85,968,345 |
| Expenditures | | | | | |
| Current: | | | | | |
| Instruction | 35,246,399 | 37,464,977 | 38,755,363 | 40,301,250 | 42,263,279 |
| Supporting services | 22,827,151 | 24,335,962 | 24,966,073 | 26,624,934 | 27,331,207 |
| Food service activities | 2,957,718 | 3,123,578 | 3,714,902 | 3,815,111 | 4,006,994 |
| Athletic activities | 756,905 | 1,083,599 | 1,259,013 | 1,275,175 | 1,371,033 |
| Community service activities | - | - | - | - | - |
| Outgoing transfers and other transactions | 965,498 | 1,098,803 | 1,177,189 | 772,827 | 396,435 |
| Capital outlay | 16,292,962 | 23,047,086 | 19,293,562 | 4,046,150 | 2,648,561 |
| Arbitrage interest | - | - | - | - | 113,000 |
| Debt service: | | | | | |
| Principal repayment | 3,137,077 | 3,748,542 | 5,423,576 | 4,249,703 | 4,377,247 |
| Interest expense | 4,036,568 | 4,717,650 | 3,657,874 | 4,178,111 | 3,986,883 |
| Payment to refunded bond escrow | - | - | - | - | - |
| Bond issuance costs | - | - | - | - | - |
| Other expense | 64,037 | 5,025 | 5,025 | 5,911 | 4,575 |
| Total expenditures | 86,284,315 | 98,625,222 | 98,252,577 | 85,269,172 | 86,499,214 |
| Excess of revenues over (under) expenditures | (11,005,427) | (20,562,681) | (18,114,723) | (4,024,271) | (530,869) |
| Other Financing Sources (Uses) | | | | | |
| Proceed from issuance of bonds | 14,812,500 | 525,365 | - | - | - |
| Proceed from bond refunding | - | - | - | - | - |
| Bond premium | - | - | - | - | - |
| Bond discount | - | - | - | - | - |
| Payment to refunded bond escrow account | - | - | - | - | - |
| Bond issuance costs | - | - | - | - | - |
| Proceeds sale of fixed assets | - | - | - | - | - |
| Operating transfers from other funds | 832,224 | 1,191,940 | 1,367,973 | 1,449,263 | 1,552,937 |
| Operating transfers to other funds | (814,344) | (1,219,188) | (1,342,674) | (1,443,120) | (1,341,005) |
| Retroactive payroll adjustments (union contract) | (1,432,000) | - | - | - | - |
| Proceeds of capital lease | 724,385 | 1,307,350 | 252,496 | 688,304 | 1,062,820 |
| Other | (224,011) | (328,679) | (986) | (1,559) | - |
| Total other financing sources (uses) | 13,898,754 | 1,476,788 | 276,809 | 692,888 | 1,274,752 |
| Net change in fund balance | \$ 2,893,327 | \$(19,085,893) | \$(17,837,914) | \$ (3,331,383) | \$ 743,883 |
| Debt service as a percentage of noncapital expenditures | 10.3% | 11.2% | 11.5% | 10.4% | 10.0% |

¹ Years 2002-2006 continue on following page.

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Financial Trends
Changes in Fund Balances - Governmental Funds
1997-2006 (Continued from previous page)

| | Fiscal Year | | | | |
|---|----------------------|-----------------------|---------------------|---------------------|-----------------------|
| Revenues | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
| Local sources: | | | | | |
| Property taxes | \$ 28,987,951 | \$ 31,067,165 | \$ 32,863,991 | \$35,910,721 | \$38,843,326 |
| Tuition | 177,367 | 1,454,597 | 1,500,261 | 1,594,985 | 1,475,637 |
| Investment earnings | 616,008 | 344,627 | 167,568 | 639,026 | 1,542,525 |
| Food sales, athletics, and community service | 4,509,642 | 2,830,253 | 3,086,384 | 2,943,600 | 2,871,154 |
| Other | 996,954 | 1,530,994 | 1,951,742 | 2,016,484 | 2,558,857 |
| Total local sources | 35,287,922 | 37,227,636 | 39,569,946 | 43,104,816 | 47,291,499 |
| State sources | 54,300,614 | 53,687,916 | 51,954,916 | 49,453,814 | 48,712,679 |
| Federal sources | 4,034,063 | 4,184,539 | 5,051,030 | 5,075,636 | 5,123,481 |
| Incoming transfers | 2,508,465 | 1,407,885 | 1,084,811 | 2,060,965 | 1,698,542 |
| Intermediate sources | - | 966,080 | 707,726 | 407,829 | 319,800 |
| Total revenues | 96,131,064 | 97,474,056 | 98,368,429 | 100,103,060 | 103,146,001 |
| Expenditures | | | | | |
| Current: | | | | | |
| Instruction | 46,415,824 | 46,963,221 | 46,976,560 | 48,866,737 | 50,532,479 |
| Supporting services | 28,304,690 | 29,383,342 | 30,000,627 | 31,735,208 | 32,870,762 |
| Food service activities | 4,059,605 | 4,355,098 | 4,479,408 | 4,528,824 | 4,538,296 |
| Athletic activities | 1,463,494 | 1,526,932 | 1,508,246 | 1,504,280 | 1,561,165 |
| Community service activities | 2,662,028 | 3,065,674 | 3,172,214 | 2,494,916 | 1,987,106 |
| Outgoing transfers and other transactions | 499,095 | 627,937 | 736,924 | 638,434 | 448,743 |
| Capital outlay | 3,736,004 | 5,515,073 | 2,457,439 | 1,935,850 | 7,243,427 |
| Arbitrage interest | - | - | - | - | - |
| Debt service: | | | | | |
| Principal repayment | 5,011,462 | 5,417,985 | 5,454,243 | 6,912,646 | 7,885,249 |
| Interest expense | 4,061,185 | 3,946,018 | 3,676,213 | 3,227,403 | 3,304,689 |
| Payment to refunded bond escrow | - | - | 153,846 | 204,844 | - |
| Bond issuance costs | 63,585 | - | 80,913 | 90,124 | - |
| Other expense | 863 | 2,587 | 31,489 | 140,406 | 38,543 |
| Total expenditures | 96,277,835 | 100,803,867 | 98,728,122 | 102,279,672 | 110,410,459 |
| Excess of revenues over (under) expenditures | (146,771) | (3,329,811) | (359,693) | (2,176,612) | (7,264,458) |
| Other Financing Sources (Uses) | | | | | |
| Proceed from issuance of bonds | 10,595,860 | - | 4,000,000 | 11,000,000 | - |
| Proceed from bond refunding | - | - | 12,720,000 | 11,110,000 | - |
| Bond premium | - | - | 125,712 | 681,267 | - |
| Bond discount | (100,000) | - | - | - | - |
| Payment to refunded bond escrow account | - | - | (12,743,558) | (11,692,578) | - |
| Bond issuance costs | - | - | (33,337) | (59,180) | - |
| Proceeds sale of fixed assets | - | - | 83,708 | 32,253 | - |
| Operating transfers from other funds | 1,443,392 | 1,478,932 | 1,500,965 | 1,417,564 | 1,828,411 |
| Operating transfers to other funds | (1,443,392) | (1,478,932) | (1,500,965) | (1,417,564) | (1,828,411) |
| Retroactive payroll adjustments (union contract) | - | - | - | - | - |
| Proceeds of capital lease | - | - | - | - | - |
| Other | - | - | - | - | - |
| Total other financing sources (uses) | 10,495,860 | - | 4,152,525 | 11,071,762 | - |
| Net change in fund balance | \$ 10,349,089 | \$ (3,329,811) | \$ 3,792,832 | \$ 8,895,150 | \$ (7,264,458) |
| Debt service as a percentage of noncapital expenditures | 9.9% | 9.8% | 9.8% | 10.5% | 10.9% |

TRAVERSE CITY AREA PUBLIC SCHOOLS
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Financial Trends
Statement of Expenses and Operating Transfers by Function - Government-Wide
2003-2006 ¹

| Governmental Activities: | 2002-2003 | 2003-2004 | 2004-2005 | 2005-2006 |
|---|----------------------|----------------------|----------------------|-----------------------|
| Expenses | | | | |
| Instruction | \$ 46,890,132 | \$ 46,915,972 | \$ 48,823,122 | \$ 50,833,381 |
| Supporting Services | 29,369,284 | 30,463,216 | 32,394,692 | 34,114,152 |
| Community Service Activities | 3,071,323 | 3,174,945 | 2,512,309 | 1,987,106 |
| Outgoing Transfers & Other Transactions | 262,327 | 415,524 | 215,361 | 410,542 |
| Food Service | 4,387,145 | 4,489,544 | 4,539,385 | 4,556,915 |
| Athletics | 1,529,701 | 1,551,804 | 1,557,295 | 1,597,833 |
| Interest on Long-Term Debt | 3,936,728 | 3,642,192 | 3,331,954 | 3,183,246 |
| Unallocated Depreciation | 4,139,306 | 3,584,607 | 3,464,631 | 3,402,931 |
| Total Governmental Activities | <u>\$ 93,585,946</u> | <u>\$ 94,237,804</u> | <u>\$ 96,838,749</u> | <u>\$ 100,086,106</u> |

¹ Government-wide schedules were not completed prior to the implementation of GASB 34 in 2003.

Source: Compiled by TCAPS Business Office

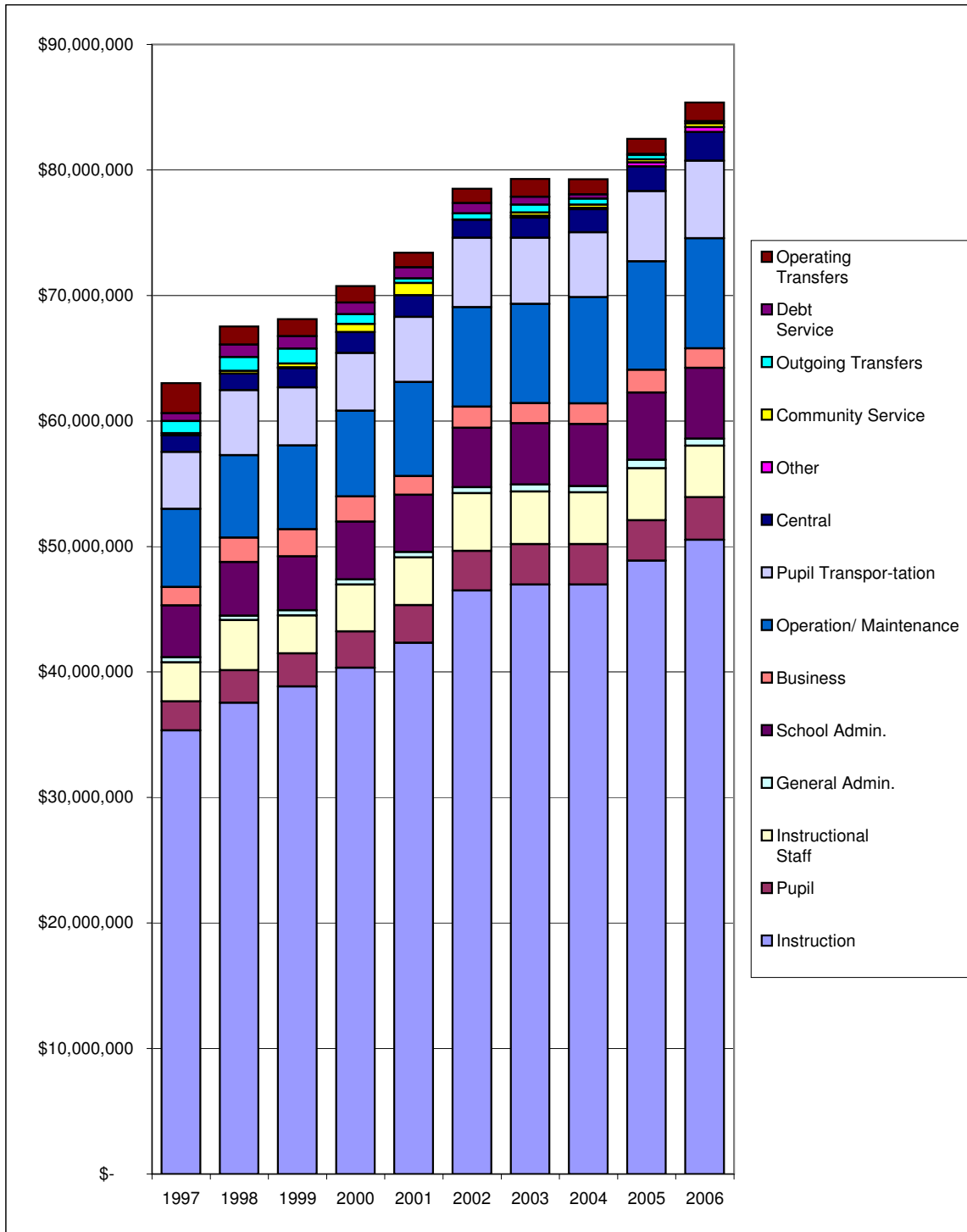
TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Financial Trends
Statement of Revenues by Source - Government-Wide
2003-2006¹

| Revenues | 2002-2003 | 2003-2004 | 2004-2005 | 2005-2006 |
|------------------------------------|----------------------|----------------------|----------------------|-----------------------|
| Program revenues: | | | | |
| Charges for services | \$ 5,192,413 | \$ 5,468,947 | \$ 5,915,391 | \$ 5,780,627 |
| Federal & State Categorical Grants | 8,012,590 | 7,906,016 | 7,023,234 | 7,269,914 |
| General Revenues: | | | | |
| Property Taxes | 31,085,269 | 32,901,884 | 35,909,932 | 38,818,094 |
| State Aid - Unrestricted | 51,048,922 | 49,685,396 | 47,489,558 | 46,792,354 |
| Other | <u>2,152,966</u> | <u>2,687,616</u> | <u>3,636,580</u> | <u>4,459,780</u> |
| Total Revenue | <u>\$ 97,492,160</u> | <u>\$ 98,649,859</u> | <u>\$ 99,974,695</u> | <u>\$ 103,120,769</u> |

¹ Government-wide schedules were not completed prior to the implementation of GASB 34 in 2003.

Source: Compiled by TCAPS Business Office

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Financial Trends
General Fund - Expenditures and Operating Transfers by Function
Graphical Representation
1997-2006



TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Financial Trends
General Fund - Expenditures and Operating Transfers by Function
1997-2006

| Year Ended June 30 | Instruction | Pupil | Instructional Staff | General Admin. | School Admin. | Business | Operation/ Maintenance |
|--------------------------|--------------|-------------|------------------------|-------------------|------------------|-------------|---------------------------|
| 1997 | \$35,343,292 | \$2,310,604 | \$ 3,119,333 | \$ 411,696 | \$4,107,642 | \$1,474,869 | \$ 6,221,423 |
| 1998 | 37,543,942 | 2,585,644 | 4,002,132 | 345,882 | 4,288,398 | 1,933,235 | 6,580,456 |
| 1999 | 38,851,849 | 2,634,348 | 3,027,583 | 403,874 | 4,305,819 | 2,144,610 | 6,677,950 |
| 2000 | 40,340,670 | 2,880,781 | 3,747,701 | 408,177 | 4,596,896 | 2,015,376 | 6,814,868 |
| 2001 | 42,326,695 | 3,005,080 | 3,787,481 | 444,014 | 4,557,756 | 1,481,221 | 7,504,224 |
| 2002 | 46,490,943 | 3,155,480 | 4,597,632 | 479,155 | 4,722,171 | 1,697,620 | 7,917,240 |
| 2003 | 46,963,221 | 3,226,913 | 4,175,087 | 576,501 | 4,877,928 | 1,603,593 | 7,908,177 |
| 2004 | 46,976,560 | 3,199,621 | 4,135,776 | 487,059 | 4,956,650 | 1,632,986 | 8,466,399 |
| 2005 | 48,866,735 | 3,210,735 | 4,149,840 | 686,215 | 5,354,659 | 1,812,196 | 8,646,837 |
| 2006 | 50,532,479 | 3,397,580 | 4,091,337 | 562,333 | 5,646,721 | 1,543,529 | 8,778,002 |

| Year Ended June 30 | Pupil Transportation | Central | Other | Community Service | Outgoing Transfers | Debt Service | Operating Transfers | Total Expenditures |
|--------------------------|-------------------------|-------------|---------|----------------------|-----------------------|-----------------|------------------------|-----------------------|
| 1997 | \$ 4,551,246 | \$1,310,618 | \$ - | \$ 166,490 | \$ 965,498 | \$ 638,386 | \$ 2,391,657 | \$63,012,754 |
| 1998 | 5,179,468 | 1,324,704 | - | 207,821 | 1,098,803 | 993,106 | 1,444,749 | 67,528,340 |
| 1999 | 4,629,464 | 1,530,116 | 64,012 | 303,480 | 1,177,189 | 1,012,127 | 1,343,660 | 68,106,081 |
| 2000 | 4,608,882 | 1,655,177 | 5,435 | 658,272 | 768,684 | 940,839 | 1,311,603 | 70,753,361 |
| 2001 | 5,182,319 | 1,722,234 | 7,960 | 968,062 | 367,819 | 895,760 | 1,153,593 | 73,404,218 |
| 2002 | 5,534,396 | 1,432,656 | 10,970 | - | 499,031 | 817,801 | 1,143,390 | 78,498,485 |
| 2003 | 5,273,537 | 1,596,216 | 145,390 | 253,723 | 627,937 | 632,165 | 1,434,894 | 79,295,282 |
| 2004 | 5,179,813 | 1,821,744 | 120,579 | 255,864 | 479,971 | 332,833 | 1,222,105 | 79,267,960 |
| 2005 | 5,592,074 | 1,960,322 | 322,332 | 236,950 | 342,093 | 84,834 | 1,218,614 | 82,484,436 |
| 2006 | 6,180,088 | 2,279,528 | 391,644 | 305,458 | 176,047 | - | 1,489,987 | 85,374,733 |

Source: Compiled by TCAPS Business Office

TRAVERSE CITY AREA PUBLIC SCHOOLS

Comprehensive Annual Financial Report

Financial Trends

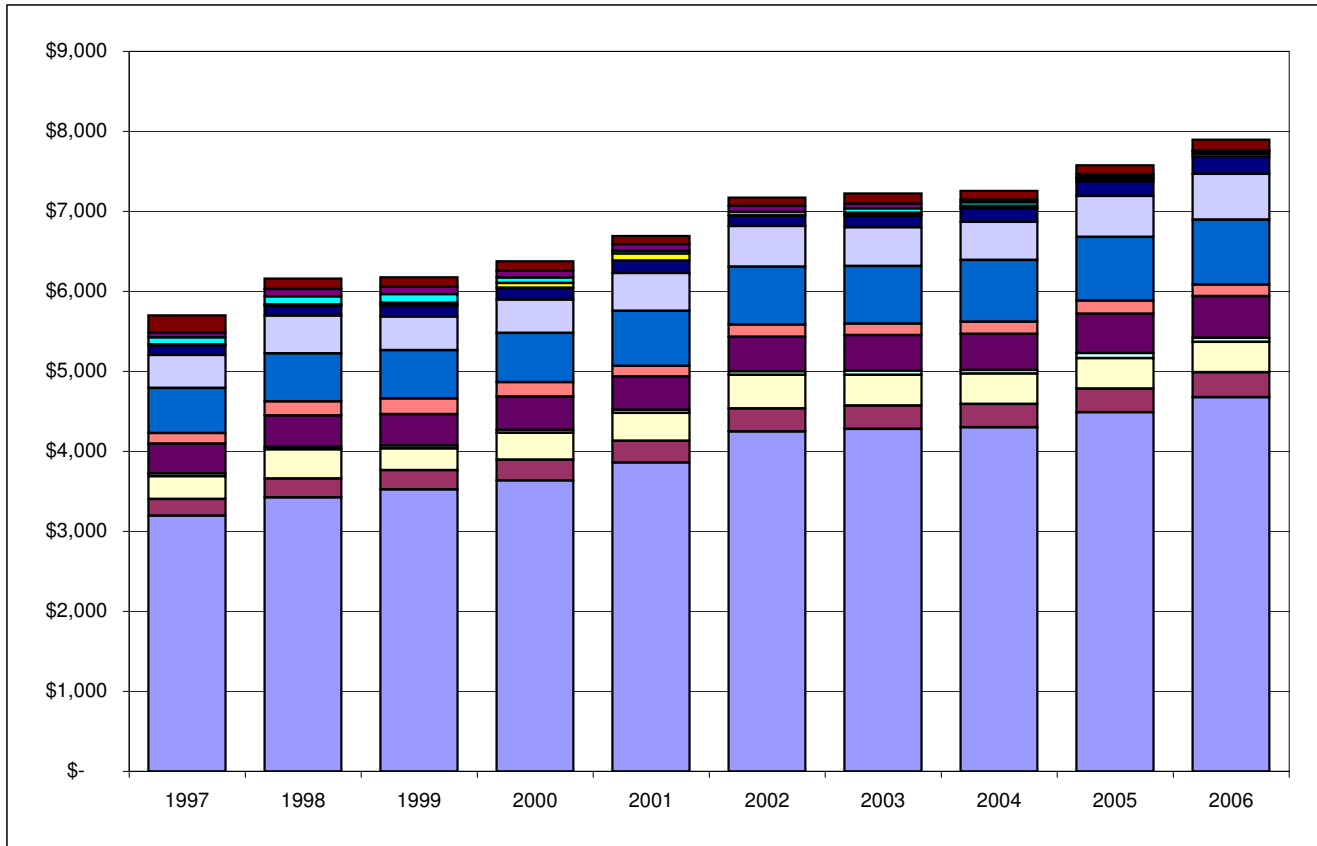
**General Fund - Sources of Expenditures and Operating Transfers as a Percentage of Total Expenditures
1997-2006**

| Year Ended June 30 | Instruction | Pupil | Instructional Staff | General Admin. | School Admin. | Business |
|-----------------------|---------------------------|----------------------|--|----------------|----------------------|-----------------------|
| 1997 | 56.09% | 3.67% | 4.95% | 0.65% | 6.52% | 2.34% |
| 1998 | 55.60% | 3.83% | 5.93% | 0.51% | 6.35% | 2.86% |
| 1999 | 57.05% | 3.87% | 4.45% | 0.59% | 6.32% | 3.15% |
| 2000 | 57.02% | 4.07% | 5.30% | 0.58% | 6.50% | 2.85% |
| 2001 | 57.66% | 4.09% | 5.16% | 0.60% | 6.21% | 2.02% |
| 2002 | 59.23% | 4.02% | 5.86% | 0.61% | 6.02% | 2.16% |
| 2003 | 59.23% | 4.07% | 5.27% | 0.73% | 6.15% | 2.02% |
| 2004 | 59.26% | 4.04% | 5.22% | 0.61% | 6.25% | 2.06% |
| 2005 | 59.24% | 3.89% | 5.03% | 0.83% | 6.49% | 2.20% |
| 2006 | 59.19% | 3.98% | 4.79% | 0.66% | 6.61% | 1.81% |
| Year Ended June 30 | Operation/ Maintenance | Pupil Transportation | Central | Other | Community Service | Outgoing Transfers |
| 1997 | 9.87% | 7.22% | 2.08% | 0.00% | 0.26% | 1.53% |
| 1998 | 9.74% | 7.67% | 1.96% | 0.00% | 0.31% | 1.63% |
| 1999 | 9.81% | 6.80% | 2.25% | 0.09% | 0.45% | 1.73% |
| 2000 | 9.63% | 6.51% | 2.34% | 0.01% | 0.93% | 1.09% |
| 2001 | 10.22% | 7.06% | 2.35% | 0.01% | 1.32% | 0.50% |
| 2002 | 10.09% | 7.05% | 1.83% | 0.01% | 0.00% | 0.64% |
| 2003 | 9.97% | 6.65% | 2.01% | 0.18% | 0.32% | 0.79% |
| 2004 | 10.68% | 6.53% | 2.30% | 0.15% | 0.32% | 0.61% |
| 2005 | 10.48% | 6.78% | 2.38% | 0.39% | 0.29% | 0.41% |
| 2006 | 10.28% | 7.24% | 2.67% | 0.46% | 0.36% | 0.21% |
| Year Ended June 30 | Debt Service | Operating Transfers | Total Expenditures and Operating Transfers | | | |
| 1997 | 1.01% | 3.80% | 100.00% | | | |
| 1998 | 1.47% | 2.14% | 100.00% | | | |
| 1999 | 1.49% | 1.97% | 100.00% | | | |
| 2000 | 1.33% | 1.85% | 100.00% | | | |
| 2001 | 1.22% | 1.57% | 100.00% | | | |
| 2002 | 1.04% | 1.46% | 100.00% | | | |
| 2003 | 0.80% | 1.81% | 100.00% | | | |
| 2004 | 0.42% | 1.54% | 100.00% | | | |
| 2005 | 0.10% | 1.48% | 100.00% | | | |
| 2006 | 0.00% | 1.75% | 100.00% | | | |

Source: Compiled by TCAPS Business Office

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Financial Trends

General Fund - Comparison of Per Pupil Expenditures and Operating Transfers by Function ¹
1997-2006

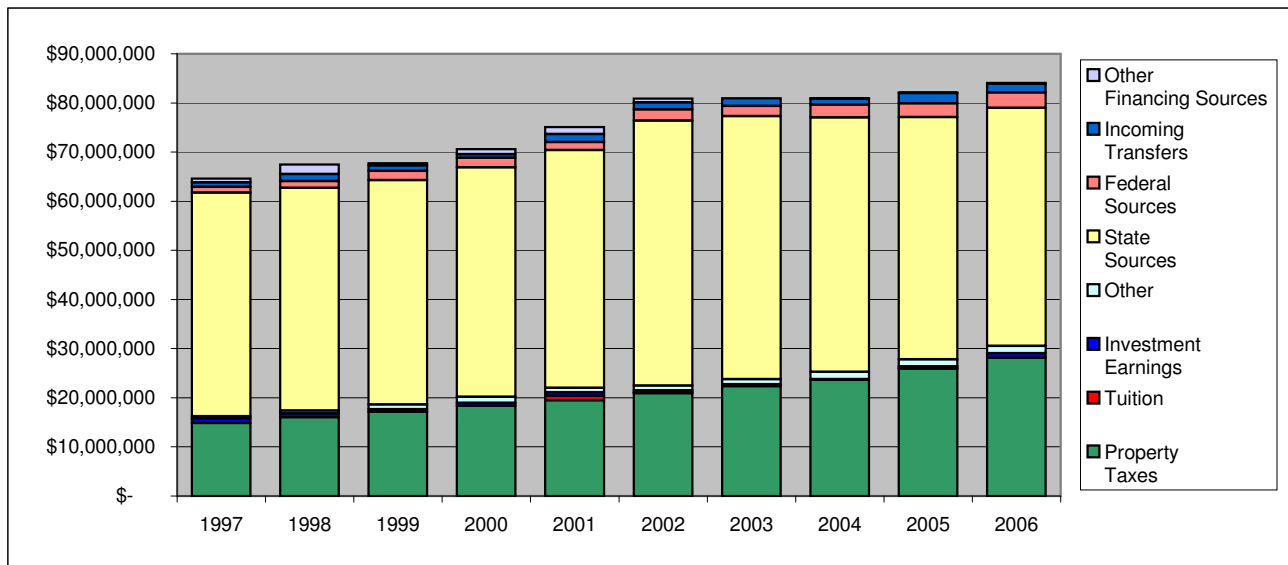


| Year Ended June 30 | Instructional Staff | Gen. Admin. | School Admin. | Business | Oper./Maint. | Pupil Trans. | Central | Other | Comm. Service | Out-going Trans. | Debt Service | Oper. Trans. | Total Expenditures |
|--------------------|---------------------|-------------|---------------|----------|--------------|--------------|---------|--------|---------------|------------------|--------------|--------------|--------------------|
| 1997 | \$ 3,196 | \$ 209 | \$ 282 | \$ 37 | \$ 371 | \$ 133 | \$ 563 | \$ 412 | \$ 119 | \$ - | \$ 15 | \$ 87 | \$ 5,699 |
| 1998 | 3,425 | 236 | 365 | 32 | 391 | 176 | 600 | 472 | 121 | - | 19 | 100 | 6,160 |
| 1999 | 3,523 | 239 | 275 | 37 | 390 | 194 | 606 | 420 | 139 | 6 | 28 | 107 | 6,176 |
| 2000 | 3,635 | 260 | 338 | 37 | 414 | 182 | 614 | 415 | 149 | 0 | 59 | 69 | 6,375 |
| 2001 | 3,859 | 274 | 345 | 40 | 416 | 135 | 684 | 473 | 157 | 1 | 88 | 34 | 6,693 |
| 2002 | 4,247 | 288 | 420 | 44 | 431 | 155 | 723 | 506 | 131 | 1 | - | 46 | 7,171 |
| 2003 | 4,279 | 294 | 380 | 53 | 444 | 146 | 721 | 481 | 145 | 13 | 23 | 57 | 7,226 |
| 2004 | 4,299 | 293 | 378 | 45 | 454 | 149 | 775 | 474 | 167 | 11 | 23 | 44 | 7,254 |
| 2005 | 4,488 | 295 | 381 | 63 | 492 | 166 | 794 | 514 | 180 | 30 | 22 | 31 | 7,576 |
| 2006 | 4,675 | 314 | 378 | 52 | 522 | 143 | 812 | 572 | 211 | 36 | 28 | 16 | 7,898 |

¹ Expenditures restated on a per pupil basis by using the following formula: Expenditure/current enrollment = per pupil revenue

Source: Compiled by TCAPS Business Office

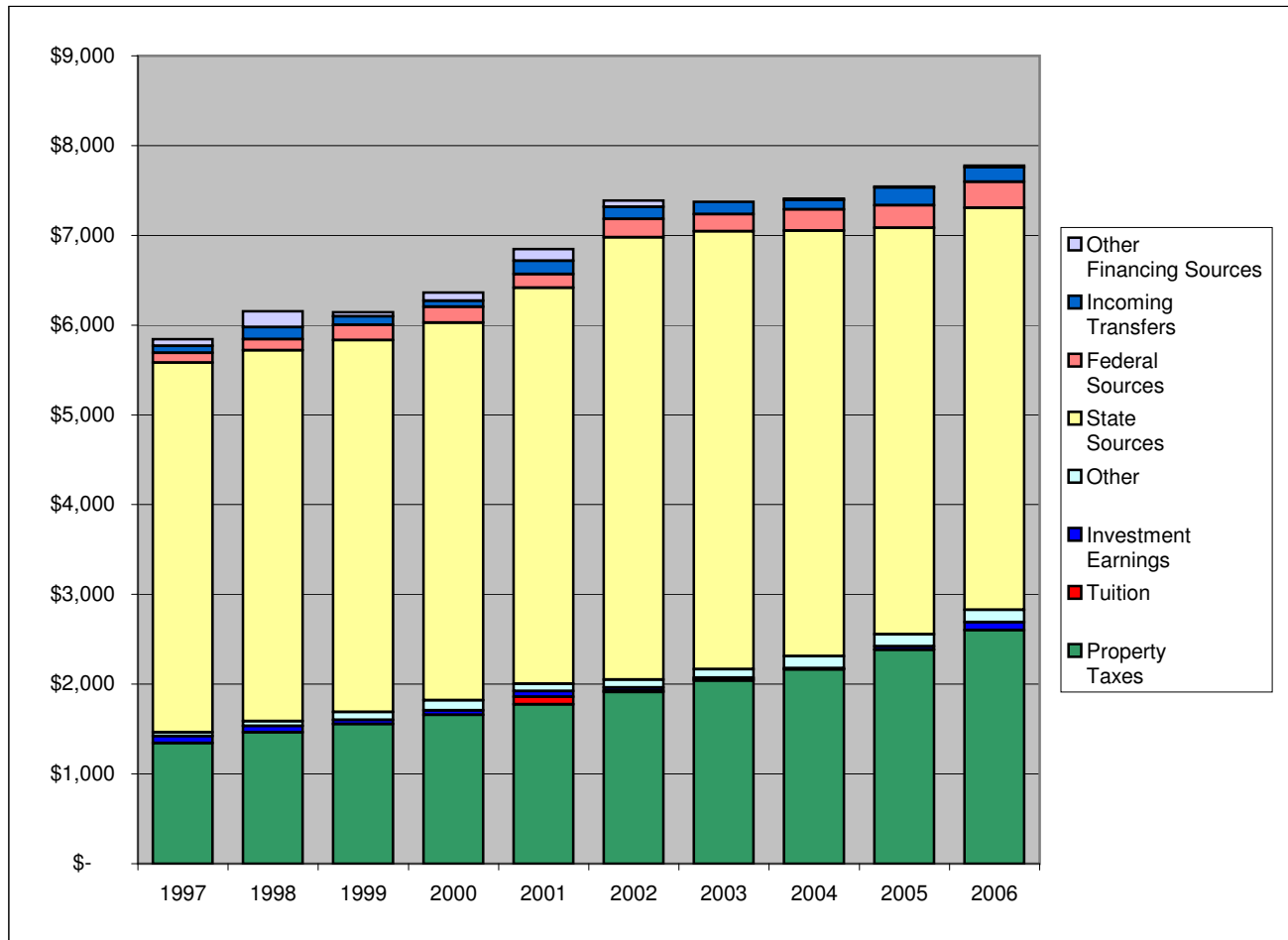
TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Financial Trends
General Fund - Revenues and Other Financing Sources by Source
1997-2006



| Year Ended June 30 | Property Taxes | Tuition | Investment Earnings | Other | State Sources | Federal Sources | Incoming Transfers | Other Financing Sources | Total Revenues |
|--|-------------------|---------|------------------------|------------|------------------|--------------------|-----------------------|-------------------------------|-------------------|
| 1997 | \$ 14,838,446 | \$ - | \$ 858,742 | \$ 500,172 | \$ 45,538,951 | \$ 1,181,251 | \$ 886,619 | \$ 803,083 | \$ 64,607,264 |
| 1998 | 16,052,425 | - | 748,743 | 597,088 | 45,304,401 | 1,365,312 | 1,455,956 | 1,935,833 | 67,459,758 |
| 1999 | 17,148,856 | - | 507,217 | 966,759 | 45,682,823 | 1,879,108 | 1,058,343 | 495,865 | 67,738,971 |
| 2000 | 18,389,306 | - | 577,903 | 1,220,378 | 46,707,602 | 1,954,859 | 731,854 | 1,022,003 | 70,603,905 |
| 2001 | 19,470,602 | 911,205 | 726,753 | 877,005 | 48,385,468 | 1,655,069 | 1,619,960 | 1,466,490 | 75,112,552 |
| 2002 | 20,929,104 | 177,367 | 352,111 | 996,954 | 53,935,209 | 2,257,777 | 1,469,913 | 772,182 | 80,890,617 |
| 2003 | 22,368,782 | 192,528 | 190,138 | 1,013,898 | 53,541,485 | 2,100,166 | 1,511,061 | 22,019 | 80,940,077 |
| 2004 | 23,630,674 | 45,831 | 117,837 | 1,485,225 | 51,793,293 | 2,567,010 | 1,167,088 | 139,430 | 80,946,388 |
| 2005 | 25,925,302 | 49,860 | 381,637 | 1,477,339 | 49,300,008 | 2,741,346 | 2,143,242 | 99,475 | 82,118,209 |
| 2006 | 28,116,822 | 22,003 | 932,273 | 1,481,946 | 48,450,477 | 3,097,615 | 1,780,819 | 169,212 | 84,051,167 |
| Sources of Revenues as a Percentage of Total Revenue | | | | | | | | | |
| Year Ended June 30 | Property Taxes | Tuition | Investment Earnings | Other | State Sources | Federal Sources | Incoming Transfers | Other Financing Sources | Total Revenues |
| 1997 | 22.97% | 0.00% | 1.33% | 0.77% | 70.49% | 1.83% | 1.37% | 1.24% | 100.00% |
| 1998 | 23.80% | 0.00% | 1.11% | 0.89% | 67.16% | 2.02% | 2.16% | 2.87% | 100.00% |
| 1999 | 25.32% | 0.00% | 0.75% | 1.43% | 67.44% | 2.77% | 1.56% | 0.73% | 100.00% |
| 2000 | 26.05% | 0.00% | 0.82% | 1.73% | 66.15% | 2.77% | 1.04% | 1.45% | 100.00% |
| 2001 | 25.92% | 1.21% | 0.97% | 1.17% | 64.42% | 2.20% | 2.16% | 1.95% | 100.00% |
| 2002 | 25.87% | 0.22% | 0.44% | 1.23% | 66.68% | 2.79% | 1.82% | 0.95% | 100.00% |
| 2003 | 27.64% | 0.24% | 0.23% | 1.25% | 66.15% | 2.59% | 1.87% | 0.03% | 100.00% |
| 2004 | 29.19% | 0.06% | 0.15% | 1.83% | 63.98% | 3.17% | 1.44% | 0.17% | 100.00% |
| 2005 | 31.57% | 0.06% | 0.46% | 1.80% | 60.04% | 3.34% | 2.61% | 0.12% | 100.00% |
| 2006 | 33.45% | 0.03% | 1.11% | 1.76% | 57.64% | 3.69% | 2.12% | 0.20% | 100.00% |

Source: Compiled by TCAPS Business Office

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Financial Trends
General Fund - Comparison of Per Pupil Revenues and other Financing Sources by Source
1997-2006



| Year Ended June 30 | Property Taxes | Tuition | Investment Earnings | Other | State Sources | Federal Sources | Incoming Transfers | Other Financing Sources | Total Revenues | Student ² Enrollment |
|-----------------------|-------------------|---------|------------------------|-------|------------------|--------------------|-----------------------|-------------------------------|-----------------------|------------------------------------|
| 1997 | \$ 1,342 | \$ - | \$ 78 | \$ 45 | \$ 4,119 | \$ 107 | \$ 80 | \$ 73 | \$ 5,843 ¹ | 11,057 |
| 1998 | 1,464 | - | 68 | 54 | 4,132 | 125 | 133 | 177 | 6,153 ¹ | 10,963 |
| 1999 | 1,555 | - | 46 | 88 | 4,143 | 170 | 96 | 45 | 6,143 ¹ | 11,027 |
| 2000 | 1,657 | - | 52 | 110 | 4,209 | 176 | 66 | 92 | 6,362 ¹ | 11,098 |
| 2001 | 1,775 | 83 | 66 | 80 | 4,412 | 151 | 148 | 134 | 6,849 ¹ | 10,967 |
| 2002 | 1,912 | 16 | 32 | 91 | 4,927 | 206 | 134 | 71 | 7,389 ¹ | 10,947 |
| 2003 | 2,038 | 18 | 17 | 92 | 4,879 | 191 | 138 | 2 | 7,376 ¹ | 10,974 |
| 2004 | 2,163 | 4 | 11 | 136 | 4,740 | 235 | 107 | 13 | 7,408 ¹ | 10,927 |
| 2005 | 2,381 | 5 | 35 | 136 | 4,528 | 252 | 197 | 9 | 7,542 ¹ | 10,888 |
| 2006 | 2,601 | 2 | 86 | 137 | 4,482 | 287 | 165 | 16 | 7,775 ¹ | 10,810 |

¹ Revenues restated on a per pupil basis by using the following formula: Revenue/current enrollment = per pupil revenue

² Student enrollment figures are taken from year-end state-aid status report.

**Traverse City Area Public Schools
Comprehensive Annual Financial Report
Statistical Section
2005-2006**

REVENUE & DEBT CAPACITY

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Revenue & Debt Capacity
Property Tax Levies and Collections
Fiscal Years 1996-1997 through 2005-2006

General Fund

| Fiscal Year | Tax Year | Original tax levy | Collections, adjustments, and write-offs | Delinquent June 30th | Percent of current taxes collected |
|-------------|----------|-------------------|--|----------------------|------------------------------------|
| 1996-1997 | 1996 | \$ 14,675,129 | \$ 14,618,193 | \$ 56,936 | 99.61% |
| 1997-1998 | 1997 | 16,048,296 | 15,969,768 | 78,528 | 99.51% |
| 1998-1999 | 1998 | 17,163,387 | 17,068,523 | 94,864 | 99.45% |
| 1999-2000 | 1999 | 18,395,892 | 18,289,177 | 106,715 | 99.42% |
| 2000-2001 | 2000 | 19,798,678 | 19,672,845 | 125,833 | 99.36% |
| 2001-2002 | 2001 | 21,252,396 | 21,151,839 | 100,557 | 99.53% |
| 2002-2003 | 2002 | 22,947,711 | 22,808,865 | 138,846 | 99.39% |
| 2003-2004 | 2003 | 23,406,935 | 23,230,070 | 176,865 | 99.24% |
| 2004-2005 | 2004 | 25,940,767 | 25,794,908 | 145,859 | 99.44% |
| 2005-2006 | 2005 | 28,014,021 | 27,897,294 | 116,727 | 99.58% |

Debt Service

| Fiscal Year | Tax Year | Original tax levy | Collections, adjustments, and write-offs | Delinquent June 30th | Percent of current taxes collected |
|-------------|----------|-------------------|--|----------------------|------------------------------------|
| 1996-1997 | 1996 | \$ 6,329,770 | \$ 6,318,178 | \$ 11,592 | 99.82% |
| 1997-1998 | 1997 | 6,870,099 | 6,852,430 | 17,669 | 99.74% |
| 1998-1999 | 1998 | 6,364,461 | 6,347,403 | 17,058 | 99.73% |
| 1999-2000 | 1999 | 6,825,893 | 6,807,512 | 18,381 | 99.73% |
| 2000-2001 | 2000 | 7,345,788 | 7,324,121 | 21,667 | 99.71% |
| 2001-2002 | 2001 | 7,987,252 | 7,969,934 | 17,318 | 99.78% |
| 2002-2003 | 2002 | 8,635,819 | 8,611,907 | 23,912 | 99.72% |
| 2003-2004 | 2003 | 9,218,667 | 9,188,814 | 29,853 | 99.68% |
| 2004-2005 | 2004 | 9,930,610 | 9,905,373 | 25,237 | 99.75% |
| 2005-2006 | 2005 | 10,645,035 | 10,625,921 | 19,114 | 99.82% |

Source: Compiled by TCAPS Business Office

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Revenue & Debt Capacity
Assessed and Estimated Actual Value of Taxable Property
1997-2006

| <u>Fiscal Year</u> | <u>Tax Year</u> | <u>Assessed Value</u> | <u>Estimated Cash Value</u> |
|--------------------|-----------------|-----------------------|-----------------------------|
| 1996-1997 | 1996 | \$ 1,919,831,480 | \$ 3,839,662,960 |
| 1997-1998 | 1997 | 1,936,327,160 | 3,872,654,320 |
| 1998-1999 | 1998 | 2,350,933,089 | 4,701,866,178 |
| 1999-2000 | 1999 | 2,393,994,480 | 4,787,988,960 |
| 2000-2001 | 2000 | 2,669,351,137 | 5,338,702,274 |
| 2001-2002 | 2001 | 3,044,319,375 | 6,088,638,750 |
| 2002-2003 | 2002 | 3,368,018,670 | 6,736,037,340 |
| 2003-2004 | 2003 | 4,038,688,324 | 8,077,376,648 |
| 2004-2005 | 2004 | 4,387,515,340 | 8,775,030,680 |
| 2005-2006 | 2005 | 4,733,682,817 | 9,467,365,634 |

Source: Compiled by TCAPS Business Office

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Revenue & Debt Capacity
Tax Rates - Overlapping
Tax Years 1996 - 2005

NOTE: The school district is restricted by state law "Proposal A - 1994" to a maximum levy of 18 mills on non-homestead properties.

| Tax Year | Operating (Mills) | Debt (Mills) | State Education (Mills) | Traverse Bay Area ISD (Mills) | Northwestern Michigan Community College (Mills) | County of Benzie (Mills) | Almira Township (Mills) | County of Leelanau (Mills) | Elmwood Township (Mills) | Solon Township (Mills) | Grand Traverse County (Mills) |
|----------|-------------------|--------------|-------------------------|-------------------------------|---|--------------------------|-------------------------|----------------------------|--------------------------|------------------------|-------------------------------|
| 1996 | 18.0000 | 3.6000 | 6.0000 | 2.8040 | 2.5000 | 7.7641 | 4.1351 | 4.4780 | 0.7741 | 0.7676 | 5.7400 |
| 1997 | 17.8866 | 3.6000 | 6.0000 | 2.7932 | 2.4838 | 8.2959 | 4.0995 | 4.4502 | 0.7719 | 0.7664 | 5.7027 |
| 1998 | 17.8866 | 3.1000 | 6.0000 | 2.7697 | 2.4612 | 7.9759 | 4.0392 | 4.4048 | 0.7641 | 0.7610 | 5.6508 |
| 1999 | 18.0000 | 3.1000 | 6.0000 | 2.7344 | 2.4245 | 7.8525 | 4.0494 | 4.3445 | 0.7552 | 0.7478 | 5.5666 |
| 2000 | 18.0000 | 3.1000 | 6.0000 | 3.0459 | 3.1832 | 7.6995 | 3.9451 | 4.2483 | 0.7402 | 0.7348 | 5.4719 |
| 2001 | 18.0000 | 3.1000 | 6.0000 | 3.0302 | 2.7487 | 7.6232 | 2.6425 | 4.1752 | 0.7316 | 0.6984 | 5.3931 |
| 2002 | 18.0000 | 3.1000 | 6.0000 | 3.0149 | 3.1152 | 7.6411 | 3.8486 | 4.0795 | 0.7229 | 0.6836 | 5.3165 |
| 2003 | 18.0000 | 3.1000 | 5.0000 | 2.9929 | 3.0693 | 7.5969 | 3.7660 | 3.9648 | 0.7078 | 0.6511 | 5.2112 |
| 2004 | 18.0000 | 3.1000 | 6.0000 | 2.9732 | 2.8324 | 7.5389 | 3.7626 | 3.8518 | 0.6970 | 0.6525 | 5.1267 |
| 2005 | 18.0000 | 3.1000 | 6.0000 | 2.9589 | 2.2127 | 7.2353 | 3.6818 | 3.7635 | 1.3687 | 0.6340 | 5.0815 |

| Tax Year | Medical Care (Mills) | BATA (Mills) | District Library (Mills) | Council on Aging (Mills) | Acme Township (Mills) | Blair Township (Mills) | East Bay Township (Mills) | Garfield Township (Mills) | Grant Township (Mills) | Green Lake Township (Mills) | Long Lake Township (Mills) |
|----------|----------------------|--------------|--------------------------|--------------------------|-----------------------|------------------------|---------------------------|---------------------------|------------------------|-----------------------------|----------------------------|
| 1996 | 0.7600 | - | 1.2200 | 0.1866 | 0.9141 | 4.5220 | 0.8654 | 2.4950 | 0.9929 | 0.9308 | 0.8177 |
| 1997 | 0.7551 | - | 1.4229 | 0.1854 | 0.9098 | 4.9620 | 0.8607 | 2.4027 | 0.9929 | 0.9095 | 0.8116 |
| 1998 | 0.7482 | 0.1800 | 1.2410 | 0.1837 | 0.9081 | 5.0485 | 0.8486 | 2.3256 | 0.9826 | 2.1011 | 0.8056 |
| 1999 | 0.7370 | 0.1774 | 1.3430 | 0.2955 | 0.8994 | 4.8996 | 0.8314 | 2.2667 | 0.9677 | 2.0769 | 0.7935 |
| 2000 | 0.7244 | 0.1740 | 1.1760 | 0.2904 | 0.8810 | 4.8645 | 0.8156 | 2.2018 | 0.9231 | 2.0440 | 0.7796 |
| 2001 | 0.7139 | 0.1713 | 1.2500 | 0.2862 | 0.8802 | 4.8294 | 0.8042 | 2.1168 | 0.8912 | 1.9961 | 0.7625 |
| 2002 | 0.7037 | 0.1683 | 1.2691 | 0.2820 | 0.8584 | 4.8112 | 0.7931 | 3.0416 | 0.8870 | 0.7950 | 0.7400 |
| 2003 | 0.6897 | 0.3500 | 1.2290 | 0.2763 | 0.8506 | 4.7649 | 0.7750 | 2.9275 | 0.8744 | 2.2756 | 0.7240 |
| 2004 | 0.6785 | 0.3428 | 1.1957 | 0.2720 | 0.7967 | 4.8439 | 0.7610 | 2.8584 | 0.8299 | 2.1964 | 0.7132 |
| 2005 | 0.6725 | 0.3360 | 1.1590 | 0.4955 | 0.7967 | 4.8439 | 0.7437 | 2.8584 | 0.7801 | 2.1612 | 0.7012 |

| Tax Year | Peninsula Township (Mills) | Union Township (Mills) | Whitewater Township (Mills) | City of Traverse City (Mills) |
|----------|----------------------------|------------------------|-----------------------------|-------------------------------|
| 1996 | 3.2697 | 0.9267 | 0.7322 | 13.7575 |
| 1997 | 3.0404 | 0.9213 | 0.7252 | 13.7575 |
| 1998 | 3.3139 | 0.9192 | 0.7206 | 13.7575 |
| 1999 | 4.1431 | 0.9015 | 0.7041 | 13.7575 |
| 2000 | 3.2024 | 0.8898 | 0.6898 | 13.6199 |
| 2001 | 2.8552 | 0.8534 | 0.6748 | 13.5447 |
| 2002 | 3.7236 | 0.8275 | 0.6596 | 13.3943 |
| 2003 | 3.8519 | 0.8039 | 0.6475 | 13.2295 |
| 2004 | 3.7843 | 0.8039 | 0.6259 | 13.2295 |
| 2005 | 2.5566 | 0.8039 | 0.6168 | 13.2295 |

Source: Information provided by individual townships and counties; compiled by TCAPS Business Office

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Revenue & Debt Capacity
Ratio of Net General Bonded Debt Outstanding to Assessed Value
and Net Bonded Debt Per Capita
1997-2006

| Fiscal Year | Tax Year | Population ¹ (Estimated) | Assessed Valuation | Gross Bonded Debt | Debt Service Monies Available | Net Bonded Debt | Ratio of Net Bonded Debt to Assessed Value | Net Bonded Debt Per Capita |
|-------------|----------|--|-----------------------|-------------------------|--|--------------------|---|--|
| 1996-1997 | 1996 | 67,645 | \$1,919,831,480 | \$ 84,925,000 | \$ 2,963,414 | \$ 81,961,586 | 4.27% | \$ 1,212 |
| 1997-1998 | 1997 | 68,647 | 1,936,327,160 | 82,095,000 | 2,607,396 | 79,487,604 | 4.11% | 1,158 |
| 1998-1999 | 1998 | 70,113 | 2,350,933,089 | 82,062,557 | 1,222,022 | 80,840,535 | 3.44% | 1,153 |
| 1999-2000 | 1999 | 71,409 | 2,393,994,480 | 78,663,154 | 961,965 | 77,701,189 | 3.25% | 1,088 |
| 2000-2001 | 2000 | 72,644 | 2,669,351,137 | 75,098,125 | 1,247,522 | 73,850,603 | 2.77% | 1,017 |
| 2001-2002 | 2001 | 74,394 | 3,044,319,375 | 80,817,199 | 1,276,747 | 79,540,452 | 2.61% | 1,069 |
| 2002-2003 | 2002 | 75,461 | 3,368,018,670 | 77,878,402 | 1,296,066 | 76,582,336 | 2.27% | 1,015 |
| 2003-2004 | 2003 | 76,365 | 4,038,688,324 | 74,842,199 | 1,632,283 | 73,209,916 | 1.81% | 959 |
| 2004-2005 | 2004 | 77,350 | 4,387,515,340 | 78,597,199 | 1,449,314 | 77,147,885 | 1.76% | 997 |
| 2005-2006 | 2005 | 78,897 | 4,733,682,817 | 70,711,950 | 1,299,981 | 69,411,969 | 1.47% | 880 |

¹ Source - Northwest Michigan Council of Governments Website

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Revenue & Debt Capacity
Ratio of Net General Bonded Debt Outstanding
1997-2006

| <u>Fiscal Year</u> | <u>General Obligation Bonds</u> | <u>Monies Restricted for Debt Service</u> | <u>Net Bonded Debt</u> | <u>Percentage of Taxable Value ¹</u> | <u>Per Capita ²</u> |
|--------------------|---|---|----------------------------|---|--------------------------------|
| 1996 - 1997 | \$ 84,925,000 | \$ 2,963,414 | \$ 81,961,586 | 4.66% | \$ 1,212 |
| 1997 - 1998 | 82,095,000 | 2,607,396 | 79,487,604 | 4.17% | 1,158 |
| 1998 - 1999 | 80,760,000 | 1,222,022 | 79,537,978 | 3.87% | 1,134 |
| 1999 - 2000 | 77,480,000 | 961,965 | 76,518,035 | 3.48% | 1,072 |
| 2000 - 2001 | 74,040,000 | 1,247,522 | 72,792,478 | 3.08% | 1,002 |
| 2001 - 2002 | 79,890,000 | 1,276,747 | 78,613,253 | 3.06% | 1,057 |
| 2002 - 2003 | 75,055,000 | 1,296,066 | 73,758,934 | 2.66% | 977 |
| 2003 - 2004 | 73,915,000 | 1,632,283 | 72,282,717 | 2.45% | 947 |
| 2004 - 2005 | 77,670,000 | 1,449,314 | 76,220,686 | 2.38% | 985 |
| 2005 - 2006 | 69,855,000 | 1,299,981 | 68,555,019 | 2.01% | 869 |

¹ Property Taxable Value data provided in Demographic & Economic Information -
Property Value & Construction Schedule

² Population data provided in Demographic & Economic Information -
School District Demographic Statistics Schedule

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Revenue & Debt Capacity
Ratio of Net Debt Outstanding by Type
1997-2006

| Fiscal Year | General Obligation Bonds | Limited Obligation Bonds ² | Notes Payable | Capital Leases | Monies Restricted for Debt Service | Total Net Outstanding Debt | Percentage of Personal Income ¹ | Per Capita ¹ |
|-------------|--------------------------------|---|------------------|-------------------|--|----------------------------------|--|----------------------------|
| 1996 - 1997 | \$ 84,925,000 | \$ - | \$ 764,521 | \$ 620,528 | \$ 2,963,414 | \$ 83,346,635 | 5.32% | \$ 1,232 |
| 1997 - 1998 | 82,095,000 | - | 893,994 | 1,390,226 | 2,607,396 | 81,771,824 | 4.82% | 1,191 |
| 1998 - 1999 | 80,760,000 | 1,302,557 | 543,851 | 1,078,053 | 1,222,022 | 82,462,439 | 4.47% | 1,176 |
| 1999 - 2000 | 77,480,000 | 1,183,154 | 669,765 | 790,138 | 961,965 | 79,161,092 | 3.95% | 1,109 |
| 2000 - 2001 | 74,040,000 | 1,058,125 | 1,347,452 | 363,097 | 1,247,522 | 75,561,152 | 3.61% | 1,040 |
| 2001 - 2002 | 79,890,000 | 927,199 | 1,470,531 | 105,205 | 1,276,747 | 81,116,188 | 3.72% | 1,090 |
| 2002 - 2003 | 75,055,000 | 927,199 | 992,751 | - | 1,494,686 | 75,480,264 | 3.45% | 1,000 |
| 2003 - 2004 | 73,915,000 | 927,199 | 678,506 | - | 1,930,213 | 73,590,492 | 3.24% | 964 |
| 2004 - 2005 | 77,670,000 | 927,199 | 595,860 | - | 1,846,554 | 77,346,505 | 3.28% | 1,000 |
| 2005 - 2006 | 69,855,000 | 856,950 | 595,860 | - | 1,796,531 | 69,511,279 | 2.86% | 881 |

¹ Personal Income and Population data provided in Demographic & Economic Information - School District Demographic Statistics Schedule

² This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under Section 11g(3) of Act 94 to the School District (the "State Aid Payments"). The School District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to statutory lien in favor of the Authority as authorized by Act 94. This bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The School District, as requested by the Authority, hereby irrevocably authorizes the payment of the State Aid Payments directly to the Authority's Depository.

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Revenue & Debt Capacity
Legal Debt Margin information
1997-2006

Legal Debt Margin Calculation for Fiscal Year 2006

| | |
|--|------------------------------|
| Assessed Value | \$4,733,682,817 |
| Debit limit (15% of assessed value) | 710,052,423 |
| Debt applicable to limit: | |
| General obligation bonds | 69,855,000 |
| Less: Amount set aside for repayment of general obligation debt | <u>(1,299,981)</u> |
| Total net debt applicable to limit | <u>68,555,019</u> |
| Legal debt margin | <u><u>\$ 641,497,404</u></u> |

| | Fiscal Year | | | | |
|---|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| | <u>1997</u> | <u>1998</u> | <u>1999</u> | <u>2000</u> | <u>2001</u> |
| Debt Limit | \$ 287,974,722 | \$ 290,449,074 | \$ 352,639,963 | \$ 359,099,172 | \$ 400,402,671 |
| Total net debt applicable to limit | <u>81,961,586</u> | <u>79,487,604</u> | <u>79,537,978</u> | <u>76,518,035</u> | <u>72,792,478</u> |
| Legal debt margin | <u><u>\$ 206,013,136</u></u> | <u><u>\$ 210,961,470</u></u> | <u><u>\$ 273,101,985</u></u> | <u><u>\$ 282,581,137</u></u> | <u><u>\$ 327,610,193</u></u> |
| Total net debt applicable to the limit as a percentage of debt limit | 28.46% | 27.37% | 22.56% | 21.31% | 18.18% |

| | Fiscal Year | | | | |
|---|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
| Debt Limit | \$ 456,647,906 | \$ 505,202,801 | \$ 605,803,249 | \$ 658,127,301 | \$ 710,052,423 |
| Total net debt applicable to limit | <u>78,613,253</u> | <u>73,758,934</u> | <u>72,282,717</u> | <u>76,220,686</u> | <u>68,555,019</u> |
| Legal debt margin | <u><u>\$ 378,034,653</u></u> | <u><u>\$ 431,443,867</u></u> | <u><u>\$ 533,520,532</u></u> | <u><u>\$ 581,906,615</u></u> | <u><u>\$ 641,497,404</u></u> |
| Total net debt applicable to the limit as a percentage of debt limit | 17.22% | 14.60% | 11.93% | 11.58% | 9.65% |

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Revenue & Debt Capacity
Schedule of Direct and Overlapping Debt
9/30/2006

| Direct Debt | Debt Outstanding | Percent Applicable to School District | Amount Applicable to School District | Debt Principal Per Capita (Pop 81,000) | Percent of STV¹ |
|---|-----------------------------|--|---|---|---------------------------------------|
| General Obligation Bonds | \$ 69,855,000 | 100.00% | \$ 69,855,000 | \$ 863 | 2.03% |
| QZAB Installment Purchase | 595,860 | 100.00% | 595,860 | 7 | 0.02% |
| Total Direct Debt | 70,450,860 | | 70,450,860 | 870 | 2.05% |
| Overlapping Debt ² | | | | | |
| Traverse City | 29,027,501 | 100.00% | 29,027,501 | 358 | 0.84% |
| Acme Township | 5,435,384 | 88.31% | 4,799,987 | 59 | 0.14% |
| Blair Township | 11,525,000 | 95.10% | 10,960,275 | 135 | 0.32% |
| East Bay Township | 9,590,328 | 100.00% | 9,590,328 | 118 | 0.28% |
| Elmwood Township | 3,360,684 | 91.21% | 3,065,280 | 38 | 0.09% |
| Garfield Township | 19,018,123 | 100.00% | 19,018,123 | 235 | 0.55% |
| Peninsula Township | 14,715,981 | 100.00% | 14,715,981 | 182 | 0.43% |
| Whitewater Township | 200,000 | 0.37% | 740 | 0 | 0.00% |
| Benzie County | 2,265,000 | 3.24% | 73,386 | 1 | 0.00% |
| Grand Traverse County | 36,745,000 | 88.68% | 32,585,466 | 402 | 0.95% |
| Leelanau County | 6,600,000 | 13.77% | 908,820 | 11 | 0.03% |
| Northwestern Community College | 33,310,000 | 88.68% | 29,539,308 | 365 | 0.86% |
| Traverse Area District Library | 5,865,000 | 88.71% | 5,202,842 | 64 | 0.15% |
| Traverse City-Garfield Recreational Authority | 6,545,000 | 100.00% | 6,545,000 | 81 | 0.19% |
| Total Overlapping Debt | 184,203,001 | | 166,033,037 | 2,050 | 4.83% |
| Total Direct and Overlapping Debt | \$ 254,653,861 | | \$ 236,483,897 | \$ 2,920 | 6.87% |

¹ 2005 Taxable Value equal to \$3,416,865,364

² Overlapping debt amounts provided by Municipal Advisory Council of Michigan

Source: Municipal Advisory Council of Michigan

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Revenue & Debt Capacity
Taxable Valuation of Property Assessed in School District
1997-2006

| Tax Year | Valuation | | | Tax Levy (Mills) | | |
|-------------|----------------|----------------|------------------|------------------|---------------|------|
| | | | | Operating | | Debt |
| | Homestead | Non-Homestead | Total | Homestead | Non-Homestead | |
| 1997 | \$ 942,392,074 | \$ 815,706,676 | \$ 1,758,098,750 | 6.00 | 17.8866 | 3.60 |
| 1998 | 1,010,951,514 | 897,196,314 | 1,908,147,828 | 6.00 | 17.8866 | 3.60 |
| 1999 | 1,093,566,624 | 959,482,575 | 2,053,049,199 | 6.00 | 18.0000 | 3.10 |
| 2000 | 1,176,579,216 | 1,025,306,158 | 2,201,885,374 | 6.00 | 18.0000 | 3.10 |
| 2001 | 1,275,340,092 | 1,089,803,642 | 2,365,143,734 | 6.00 | 18.0000 | 3.10 |
| 2002 | 1,398,054,269 | 1,174,745,121 | 2,572,799,390 | 6.00 | 18.0000 | 3.10 |
| 2003 | 1,523,890,201 | 1,245,626,065 | 2,769,516,266 | 6.00 | 18.0000 | 3.10 |
| 2004 | 1,618,820,315 | 1,327,173,681 | 2,945,993,996 | 6.00 | 18.0000 | 3.10 |
| 2005 | 1,729,811,323 | 1,441,954,239 | 3,171,765,562 | 6.00 | 18.0000 | 3.10 |
| 2006 | 1,860,270,180 | 1,556,595,184 | 3,416,865,364 | 6.00 | 18.0000 | 3.10 |

Ad valorem property taxes are assessed on the basis of taxable value, which is subject to assessment caps. This is different than state equalized value, which was the method for assessing ad valorem property taxes prior to 1994. State equalized value was an amount equal to 50% of true cash value.

Source: Compiled by TCAPS Business Office

**Traverse City Area Public Schools
Comprehensive Annual Financial Report
Statistical Section
2005-2006**

DEMOGRAPHIC & ECONOMIC INFORMATION

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Demographic & Economic Information
Employment by Classification
2002-2006 ¹

| School Year | Number of Staff | | | Total |
|-------------|-------------------------|--------------------------|--------------------------------------|-------|
| | Instructional Employees | Administrative Employees | Support/ Non-Instructional Employees | |
| 2002-2003 | 644 | 76 | 756 | 1,476 |
| 2003-2004 | 664 | 81 | 788 | 1,533 |
| 2004-2005 | 667 | 86 | 775 | 1,528 |
| 2005-2006 | 670 | 82 | 770 | 1,522 |

¹ This data provided by TCAPS Human Resource Department and is only available for the past four years.

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Demographic & Economic Information
School District Demographic Statistics
1997-2006

| Fiscal Year | Population ¹ | Personal Income ¹ (Thousands) | Per Capita Income ¹ | % of Michigan ¹ | % of U.S. ¹ | Unemployment Rate ¹ |
|-------------|-------------------------|--|-----------------------------------|-------------------------------|------------------------|-----------------------------------|
| 1996-1997 | 67,645 | \$ 1,567,630 | \$ 23,174 | 95.34% | 95.82% | 3.9% |
| 1997-1998 | 68,647 | 1,695,571 | 24,700 | 97.35% | 97.54% | 3.4% |
| 1998-1999 | 70,113 | 1,842,769 | 26,283 | 97.64% | 97.74% | 3.3% |
| 1999-2000 | 71,409 | 2,001,850 | 28,034 | 99.80% | 100.34% | 3.6% |
| 2000-2001 | 72,644 | 2,094,829 | 28,837 | 97.60% | 96.67% | 4.7% |
| 2001-2002 | 74,394 | 2,178,333 | 29,281 | 97.80% | 95.76% | 5.7% |
| 2002-2003 | 75,461 | 2,184,739 | 28,952 | 96.32% | 94.02% | 6.1% |
| 2003-2004 | 76,365 | 2,268,171 | 29,702 | 95.31% | 94.37% | 6.5% |
| 2004-2005 | 77,350 | 2,358,898 | 30,296 | 94.36% | 94.72% | 5.6% |
| 2005-2006 | 78,897 ² | 2,433,318 ² | 30,662 ² | 95.10% ² | 95.46% ² | 5.0% |

Source: Northwest Michigan Council of Governments Website

¹ Unemployment rate for 2005-2006 = YTD 06/30/06;
Previous years = Calendar Annual Average

² Estimated

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Demographic & Economic Information
Property Value and Construction
1996-2005

| Fiscal Year | Tax Year | Valuation | | | New Residential Building Permits ¹ | |
|-------------|----------|----------------|----------------|------------------|---|---------------|
| | | Homestead | Non-Homestead | Total | Number | Value |
| 1996-1997 | 1996 | \$ 942,392,074 | \$ 815,706,676 | \$ 1,758,098,750 | 719 | \$ 78,495,792 |
| 1997-1998 | 1997 | 1,010,951,514 | 897,196,314 | 1,908,147,828 | 797 | 85,464,971 |
| 1998-1999 | 1998 | 1,093,566,624 | 959,482,575 | 2,053,049,199 | 878 | 103,288,545 |
| 1999-2000 | 1999 | 1,176,579,216 | 1,025,306,158 | 2,201,885,374 | 1142 | 139,313,343 |
| 2000-2001 | 2000 | 1,275,340,092 | 1,089,803,642 | 2,365,143,734 | 896 | 125,752,590 |
| 2001-2002 | 2001 | 1,398,054,269 | 1,174,745,121 | 2,572,799,390 | 796 | 97,223,100 |
| 2002-2003 | 2002 | 1,523,890,201 | 1,245,626,065 | 2,769,516,266 | 847 | 110,523,825 |
| 2003-2004 | 2003 | 1,618,820,315 | 1,327,173,681 | 2,945,993,996 | 988 | 125,537,857 |
| 2004-2005 | 2004 | 1,729,811,323 | 1,441,954,239 | 3,171,765,562 | 909 | 135,457,065 |
| 2005-2006 | 2005 | 1,860,270,180 | 1,556,595,184 | 3,416,865,364 | 1079 | 129,927,448 |

¹ Grand Traverse and Leelanau Counties

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Demographic & Economic Information
Principal Taxpayers
2005

| Principal Taxpayer | Product/Service | Taxable Valuation and Industrial Facilities Tax Valuation | |
|---------------------------------------|----------------------|--|---------------------|
| | | Total | Percent of Total |
| Great Wolf Lodge of TC LLC | Lodge | \$ 19,664,140 | 0.58% |
| Grand Traverse Band of Ottawa Indians | Resort | 19,592,018 | 0.58% |
| Consumers Power Company | Utility | 15,740,341 | 0.46% |
| Grand Traverse Crossing | Retail Shopping Mall | 15,488,380 | 0.45% |
| Sara Lee Corp | Frozen Foods | 14,710,060 | 0.43% |
| DTE Energy (Michicon) | Utility | 14,446,089 | 0.42% |
| Carpenter Enterprises | Automotive | 13,392,800 | 0.39% |
| Grand Traverse Mall, Ltd. | Retail Shopping Mall | 12,781,790 | 0.37% |
| Dobson Cellular Systems, Inc. | Communication | 9,210,790 | 0.27% |
| State of MI Taxable Lands | Resort area | 9,173,827 | 0.27% |
| Subtotal | | 144,200,235 | 4.22% |
| All Others | | 3,272,665,129 | 95.78% |
| Totals | | <u>\$ 3,416,865,364</u> | <u>100.00%</u> |

Source: Grand Traverse, Leelanau, and Benzie Counties

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Demographic & Economic Information
Principal Employers in the District (Top 10)
2005 - 2006

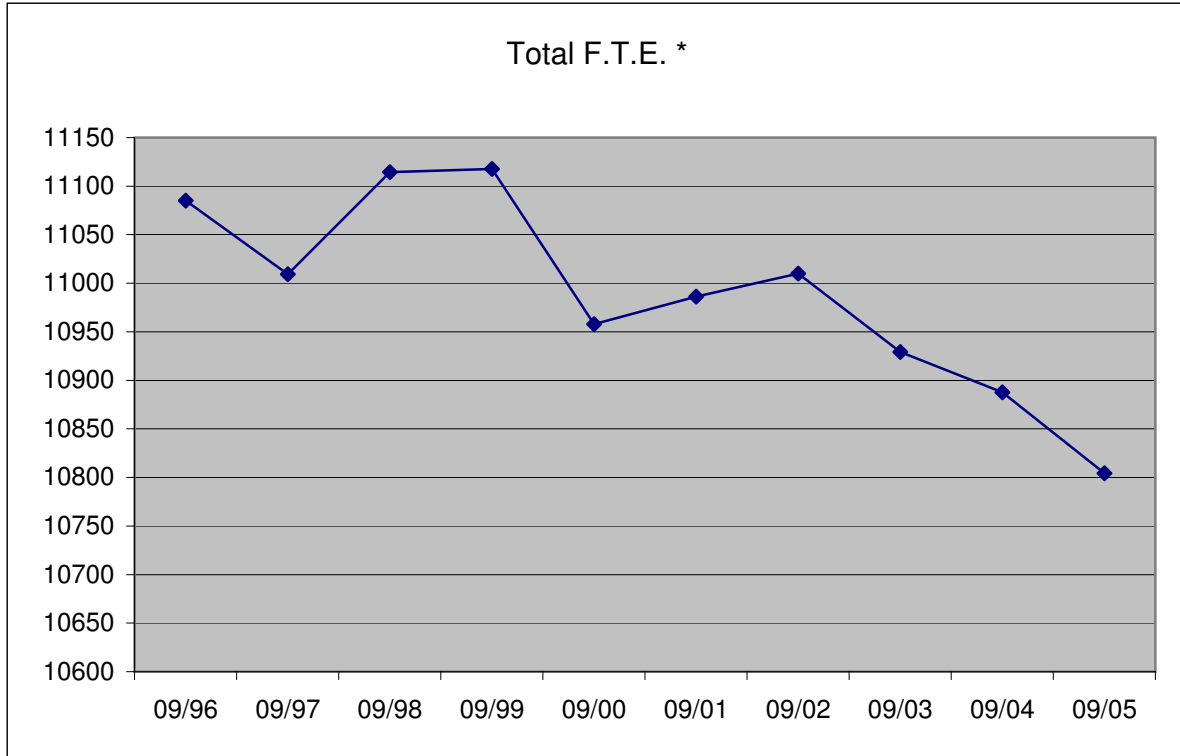
| Employer | Product/Service | Number Employed | |
|---|----------------------|-----------------|-----------|
| | | 2004/2005 | 2005/2006 |
| Munson Medical Center | Health Care | 3,000 | 4,000 |
| Traverse City Area Public Schools | Education | 1,513 | 1,457 |
| Traverse Bay Entertainment | Gaming | 1,200 | 1,200 |
| Interlochen Center for the Arts | Education | 350-1,200 | 350-1,200 |
| Nish-Nah-Bee | Automotive Parts | 500-999 | 500-999 |
| Grand Traverse Resort | Resort | 600-900 | 600-900 |
| Northwestern Michigan Community College | Education | 600 | 623 |
| Traverse Bay ISD | Education | 585 | 600 |
| Cherry Growers Inc | Fruit Canning | 225-600 | 225-600 |
| United Technologies | Electronic Equipment | 600 | 585 |

Source: Michigan Manufacturers Directory and individual employers

Information from the previous eight years is not available.

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Demographic & Economic Information
School District Full-Time Equated (F.T.E.) Students
1997-2006

| School Year | Total F.T.E. * |
|-------------|----------------|
| 09/96 | 11,084.99 |
| 09/97 | 11,009.20 |
| 09/98 | 11,114.33 |
| 09/99 | 11,117.84 |
| 09/00 | 10,957.91 |
| 09/01 | 10,986.36 |
| 09/02 | 11,009.94 |
| 09/03 | 10,929.25 |
| 09/04 | 10,887.54 |
| 09/05 | 10,804.35 |



* Enrollment as of fall count day converted to a full time equivalent basis. This count includes shared time and early childhood programs.

**Traverse City Area Public Schools
Comprehensive Annual Financial Report
Statistical Section
2005-2006**

OPERATIONAL INFORMATION

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Operational Information
Insurance Coverage Data
Fiscal Year 2005-2006

| Location | Structure ¹ | Contents ¹ | Playground Lighting, Signage & PIO ¹ | Technology Data & Voice ² |
|--|------------------------|-----------------------|---|---|
| Traverse City High School | \$ 4,644,799 | \$ 269,443 | \$ 117,500 | \$ 102,000 |
| Central High School | 36,375,492 | 995,870 | 357,843 | 687,500 |
| West Sr. High School | 28,693,599 | 723,399 | 200,000 | 517,500 |
| East Jr. High | 21,516,533 | 1,305,649 | 160,000 | 482,500 |
| West Jr. High | 24,184,556 | 1,758,462 | 357,843 | 362,500 |
| Bertha Vos Elementary | 4,115,030 | 179,567 | 26,264 | 102,000 |
| Blair Elementary | 5,132,400 | 198,376 | 65,324 | 102,000 |
| Central Grade Elementary | 16,553,040 | 418,005 | 27,252 | 147,000 |
| Cherry Knoll Elementary | 5,698,322 | 252,165 | 57,272 | 102,000 |
| Courtade Elementary | 5,132,400 | 214,327 | 54,123 | 87,000 |
| Eastern Elementary | 4,185,124 | 223,025 | 36,670 | 107,000 |
| Glenn Loomis Elementary | 5,690,192 | 227,196 | 51,200 | 97,000 |
| Interlochen Elementary | 4,544,862 | 232,614 | 38,610 | 112,000 |
| Long Lake Elementary | 4,729,669 | 221,657 | 47,060 | 97,000 |
| Norris Elementary | 4,305,527 | 206,272 | 45,830 | 87,000 |
| Oak Park Elementary | 4,401,308 | 191,198 | 38,785 | 92,000 |
| Old Mission @ Sabin Elementary | 5,081,589 | 256,558 | 20,750 | 97,000 |
| Silver Lake Elementary | 5,132,400 | 195,900 | 58,550 | 107,000 |
| Traverse Heights Elementary | 4,472,620 | 191,437 | 54,207 | 112,000 |
| Westwoods Elementary | 5,136,470 | 225,520 | 51,630 | 177,000 |
| Willow Hill Elementary | 4,468,749 | 208,460 | 8,014 | 82,000 |
| Boardman Administration Bldg. | 2,339,280 | 703,450 | - | 212,000 |
| Bus Garage | 1,665,483 | 164,869 | - | 260,000 |
| Operations Building | 1,232,674 | 139,860 | - | 1,519,000 |
| Coast Guard Soccer Fields | 1,329,408 | - | 137,000 | - |
| Thirlby Field | 1,121,365 | 365,014 | 13,100 | - |
| | <u>\$ 211,882,891</u> | <u>\$ 10,068,293</u> | <u>\$ 2,024,827</u> | <u>\$ 5,850,000</u> |
| <u>Total Real & Personal Property</u> | | | | <u>\$ 229,826,011</u> |

¹ Values based on Appraisal dated June 30, 2002, plus adjustments.

² Values based on physical inventory June 30, 2005, plus adjustments.

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Operational Information
Summary of Owned Buildings and Sites
June 30, 2006

| Building | Year of Construction or Purchase | Number of Stories | Square Footage | Acreage | Number of Classrooms | Number of Students |
|-------------------------------|--|----------------------|-------------------|----------|-------------------------|-----------------------|
| INSTRUCTIONAL | | | | | | |
| <u>Elementary Schools</u> | | | | | | |
| Bertha Vos Elementary | 1953 | one | 33,647 | 6.0 | 12 | 297 |
| Blair Elementary | 1990 | one | 42,000 | 110.0 | 13 | 365 |
| Central Grade Elementary | 1922 | two | 143,550 | 4.4 | 27 | 639 |
| Cherry Knoll Elementary | 1956 | one | 44,952 | 4.1 | 13 | 359 |
| Courtade Elementary | 1991 | one | 42,000 | 16.0 | 14 | 298 |
| Eastern Elementary | 1957 | one | 34,226 | 12.0 | 13 | 290 |
| Glenn Loomis Elementary | 1957 | one | 46,537 | 4.6 | 13 | 282 |
| Interlochen Elementary | 1950 | one | 37,192 | 5.0 | 13 | 320 |
| Long Lake Elementary | 1958 | one | 38,648 | 45.0 | 14 | 300 |
| Norris Elementary | 1949 | one | 35,161 | 5.3 | 10 | 229 |
| Oak Park Elementary | 1950 | one | 36,000 | 3.5 | 9 | 117 |
| Old Mission Elementary | 1956 | one | 33,886 | 9.0 | 10 | 205 |
| Sabin Elementary | 1949 | one | 40,829 | 8.2 | 10 | 0 |
| Silver Lake Elementary | 1987 | one | 42,000 | 15.0 | 12 | 333 |
| Traverse Heights Elementary | 1950 | one | 36,560 | 14.0 | 12 | 226 |
| Westwoods Elementary | 1990 | one | 42,000 | 16.1 | 17 | 412 |
| Willow Hill Elementary | 1949 | one | 36,530 | 10.0 | 13 | 346 |
| <u>Secondary Schools</u> | | | | | | |
| East Jr. High | 1991 | one | 190,000 | 90.0 | 75 | 1,279 |
| West Jr. High | 1969 | one | 210,000 | 80.0 | 75 | 1,391 |
| Central High School | 1958 | one | 260,000 | 36.3 | 65 | 1,265 |
| Traverse City High School | 1949 | one | 37,969 | 7.1 | 12 | 190 |
| West Sr. High School | 1997 | two | 240,000 | 100.0 | 65 | 1,509 |
| Total Instructional | | | 1,703,687 | 601.6 | 517 | 10,652 |
| NON-INSTRUCTIONAL | | | | | | |
| Boardman Administration Bldg | 1914 | three | 25,920 | 1.0 | | |
| Bus Garage | 1971 | one | 19,200 | -- 14.00 | | |
| Operations Building | 1981 | one | 12,115 | | | |
| Coast Guard Warehouse | 1968 | one | 18,000 | 26.0 | | |
| Thirlby Field Misc. Buildings | 1995 | | 25,884 | 7.0 | | |
| Total Non-Instructional | | | 101,119 | 48.0 | | |

Source: Compiled by TCAPS Business Office

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Operational Information
School Building Information

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| <u>Bertha Vos Elementary</u> | | | | | | | | | | |
| Square feet | 33,647 | 33,647 | 33,647 | 33,647 | 33,647 | 33,647 | 33,647 | 33,647 | 33,647 | 33,647 |
| Capacity | 325 | 325 | 325 | 325 | 325 | 325 | 325 | 325 | 325 | 325 |
| Enrollment | 267 | 266 | 243 | 245 | 230 | 214 | 252 | 278 | 277 | 297 |
| <u>Blair Elementary</u> | | | | | | | | | | |
| Square feet | 42,000 | 42,000 | 42,000 | 42,000 | 42,000 | 42,000 | 42,000 | 42,000 | 42,000 | 42,000 |
| Capacity | 350 | 350 | 350 | 350 | 350 | 350 | 350 | 350 | 350 | 350 |
| Enrollment | 308 | 344 | 347 | 356 | 302 | 290 | 299 | 310 | 287 | 365 |
| <u>Central Grade Elementary</u> | | | | | | | | | | |
| Square feet | 143,550 | 143,550 | 143,550 | 143,550 | 143,550 | 143,550 | 143,550 | 143,550 | 143,550 | 143,550 |
| Capacity | 790 | 790 | 790 | 790 | 790 | 790 | 790 | 790 | 790 | 790 |
| Enrollment | 464 | 438 | 450 | 479 | 450 | 480 | 514 | 570 | 613 | 639 |
| <u>Cherry Knoll Elementary</u> | | | | | | | | | | |
| Square feet | 44,952 | 44,952 | 44,952 | 44,952 | 44,952 | 44,952 | 44,952 | 44,952 | 44,952 | 44,952 |
| Capacity | 350 | 350 | 350 | 350 | 350 | 350 | 350 | 350 | 350 | 350 |
| Enrollment | 331 | 327 | 325 | 348 | 335 | 329 | 361 | 337 | 337 | 359 |
| <u>Courtade Elementary</u> | | | | | | | | | | |
| Square feet | 42,000 | 42,000 | 42,000 | 42,000 | 42,000 | 42,000 | 42,000 | 42,000 | 42,000 | 42,000 |
| Capacity | 350 | 350 | 350 | 350 | 350 | 350 | 350 | 350 | 350 | 350 |
| Enrollment | 321 | 313 | 313 | 304 | 271 | 252 | 310 | 305 | 276 | 298 |
| <u>East Bay Elementary (in 02/03 became Traverse City High School)</u> | | | | | | | | | | |
| Square feet | 37,969 | 37,969 | 37,969 | 37,969 | 37,969 | 37,969 | | | | |
| Capacity | 293 | 293 | 293 | 293 | 293 | 293 | | | | |
| Enrollment | 284 | 283 | 307 | 294 | 289 | 230 | | | | |
| <u>Eastern Elementary</u> | | | | | | | | | | |
| Square feet | 34,226 | 34,226 | 34,226 | 34,226 | 34,226 | 34,226 | 34,226 | 34,226 | 34,226 | 34,226 |
| Capacity | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 |
| Enrollment | 283 | 272 | 285 | 278 | 279 | 276 | 299 | 304 | 315 | 290 |
| <u>Glenn Loomis Elementary</u> | | | | | | | | | | |
| Square feet | 46,537 | 46,537 | 46,537 | 46,537 | 46,537 | 46,537 | 46,537 | 46,537 | 46,537 | 46,537 |
| Capacity | 350 | 350 | 350 | 350 | 350 | 350 | 350 | 350 | 350 | 350 |
| Enrollment | 317 | 323 | 326 | 324 | 312 | 307 | 308 | 292 | 296 | 282 |
| <u>Interlochen Elementary</u> | | | | | | | | | | |
| Square feet | 37,192 | 37,192 | 37,192 | 37,192 | 37,192 | 37,192 | 37,192 | 37,192 | 37,192 | 37,192 |
| Capacity | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 |
| Enrollment | 384 | 359 | 358 | 336 | 316 | 315 | 327 | 306 | 305 | 320 |
| <u>Long Lake Elementary</u> | | | | | | | | | | |
| Square feet | 38,648 | 38,648 | 38,648 | 38,648 | 38,648 | 38,648 | 38,648 | 38,648 | 38,648 | 38,648 |
| Capacity | 350 | 350 | 350 | 350 | 350 | 350 | 350 | 350 | 350 | 350 |
| Enrollment | 382 | 365 | 355 | 337 | 322 | 327 | 313 | 290 | 288 | 300 |
| <u>Norris Elementary</u> | | | | | | | | | | |
| Square feet | 35,161 | 35,161 | 35,161 | 35,161 | 35,161 | 35,161 | 35,161 | 35,161 | 35,161 | 35,161 |
| Capacity | 325 | 325 | 325 | 325 | 325 | 325 | 325 | 325 | 325 | 325 |
| Enrollment | 339 | 330 | 354 | 333 | 304 | 307 | 265 | 236 | 212 | 229 |
| <u>Oak Park Elementary</u> | | | | | | | | | | |
| Square feet | 36,000 | 36,000 | 36,000 | 36,000 | 36,000 | 36,000 | 36,000 | 36,000 | 36,000 | 36,000 |
| Capacity | 275 | 275 | 275 | 275 | 275 | 275 | 275 | 275 | 275 | 275 |
| Enrollment | 227 | 217 | 180 | 187 | 202 | 232 | 213 | 215 | 205 | 117 |

NOTE: This schedule continues on the following page.

Comprehensive Annual Financial Report
Operational Information
School Building Information
Continued from previous page

| | | | | | | | | | | |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| <u>Old Mission Elementary</u> | | | | | | | | | | |
| Square feet | 33,886 | 33,886 | 33,886 | 33,886 | 33,886 | 33,886 | 33,886 | 33,886 | 33,886 | 33,886 |
| Capacity | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 |
| Enrollment | 298 | 283 | 264 | 262 | 253 | 233 | 231 | 240 | 231 | 205 |
| <u>Sabin Elementary</u> | | | | | | | | | | |
| Square feet | 40,829 | 40,829 | 40,829 | 40,829 | 40,829 | 40,829 | 40,829 | 40,829 | 40,829 | 40,829 |
| Capacity | 350 | 350 | 350 | 350 | 350 | 350 | 350 | 350 | 350 | 0 |
| Enrollment | 321 | 306 | 316 | 304 | 297 | 251 | 260 | 198 | 189 | 0 |
| <u>Silver Lake Elementary</u> | | | | | | | | | | |
| Square feet | 42,000 | 42,000 | 42,000 | 42,000 | 42,000 | 42,000 | 42,000 | 42,000 | 42,000 | 42,000 |
| Capacity | 350 | 350 | 350 | 350 | 350 | 350 | 350 | 350 | 350 | 350 |
| Enrollment | 351 | 354 | 347 | 325 | 304 | 307 | 292 | 286 | 289 | 333 |
| <u>Traverse Heights Elementary</u> | | | | | | | | | | |
| Square feet | 36,560 | 36,560 | 36,560 | 36,560 | 36,560 | 36,560 | 36,560 | 36,560 | 36,560 | 36,560 |
| Capacity | 400 | 400 | 400 | 400 | 400 | 400 | 400 | 400 | 400 | 400 |
| Enrollment | 285 | 258 | 260 | 275 | 253 | 266 | 249 | 233 | 231 | 226 |
| <u>Westwoods Elementary</u> | | | | | | | | | | |
| Square feet | 42,000 | 42,000 | 42,000 | 42,000 | 42,000 | 42,000 | 42,000 | 42,000 | 42,000 | 42,000 |
| Capacity | 450 | 450 | 450 | 450 | 450 | 450 | 450 | 450 | 450 | 450 |
| Enrollment | 354 | 345 | 354 | 381 | 392 | 392 | 394 | 400 | 410 | 412 |
| <u>Willow Hill Elementary</u> | | | | | | | | | | |
| Square feet | 36,530 | 36,530 | 36,530 | 36,530 | 36,530 | 36,530 | 36,530 | 36,530 | 36,530 | 36,530 |
| Capacity | 350 | 350 | 350 | 350 | 350 | 350 | 350 | 350 | 350 | 350 |
| Enrollment | 365 | 351 | 350 | 324 | 305 | 300 | 310 | 301 | 320 | 331 |
| <u>East Jr. High</u> | | | | | | | | | | |
| Square feet | 190,000 | 190,000 | 190,000 | 190,000 | 190,000 | 190,000 | 190,000 | 190,000 | 190,000 | 190,000 |
| Capacity | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 |
| Enrollment | 1,295 | 1,285 | 1,319 | 1,274 | 1,210 | 1,204 | 1,244 | 1,179 | 1,169 | 1,279 |
| <u>West Jr. High</u> | | | | | | | | | | |
| Square feet | 210,000 | 210,000 | 210,000 | 210,000 | 210,000 | 210,000 | 210,000 | 210,000 | 210,000 | 210,000 |
| Capacity | 1,600 | 1,600 | 1,600 | 1,600 | 1,600 | 1,600 | 1,600 | 1,600 | 1,600 | 1,600 |
| Enrollment | 1,457 | 1,502 | 1,445 | 1,461 | 1,450 | 1,465 | 1,493 | 1,507 | 1,497 | 1,391 |
| <u>Central High School</u> | | | | | | | | | | |
| Square feet | 260,000 | 260,000 | 260,000 | 260,000 | 260,000 | 260,000 | 260,000 | 260,000 | 260,000 | 260,000 |
| Capacity | 1,800 | 1,800 | 1,800 | 1,800 | 1,800 | 1,800 | 1,800 | 1,800 | 1,800 | 1,800 |
| Enrollment | 2,541 | 1,293 | 1,344 | 1,307 | 1,327 | 1,353 | 1,326 | 1,284 | 1,269 | 1,266 |
| <u>Traverse City High School</u> (formerly East Bay Elementary) | | | | | | | | | | |
| Square feet | | | | | | | 37,969 | 37,969 | 37,969 | 37,969 |
| Capacity | | | | | | | 293 | 293 | 293 | 293 |
| Enrollment | | | | | | | 231 | 223 | 198 | 190 |
| <u>West Sr. High School</u> | | | | | | | | | | |
| Square feet | | 240,000 | 240,000 | 240,000 | 240,000 | 240,000 | 240,000 | 240,000 | 240,000 | 240,000 |
| Capacity | | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 |
| Enrollment | | 1,320 | 1,437 | 1,444 | 1,437 | 1,392 | 1,398 | 1,445 | 1,447 | 1,509 |

Source: Compiled by TCAPS Business Office

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Operating Statistics
2002-2006¹

| <u>Fiscal year</u> | <u>Expenses</u> | <u>Enrollment</u> | <u>Cost per pupil</u> | <u>Percentage change</u> | <u>Instructional employees</u> | <u>Pupil/instructional employee ratio</u> |
|--------------------|-----------------|-------------------|-----------------------|--------------------------|--------------------------------|---|
| 2002-2003 | \$ 93,585,946 | 11,009 | \$ 8,501 | 0.0% | 644 | 17.0 |
| 2003-2004 | 94,237,804 | 10,929 | 8,623 | 1.4% | 664 | 16.5 |
| 2004-2005 | 96,838,749 | 10,887 | 8,895 | 3.1% | 667 | 16.3 |
| 2005-2006 | 100,086,106 | 10,804 | 9,264 | 4.1% | 670 | 16.1 |

¹ This data provided by TCAPS Human Resource Department and is only available for the past four years.

OTHER ITEMS



Lamonte T. Lator
Bruce J. Dunn
Jeffrey C. Stevens
Linda I. Schirmer
Steven W. Scott
David M. Racek
Robert E. Miller, Jr.
Steven B. Robbins
James E. Nyquist
James R. Dedyne

Timothy H. Adams
David B. Caldwell
Edward L. Williams, III
Timothy J. Orians
Dennis D. Theis

Walter P. Maner, Jr. (1921-2004)
Floyd L. Costerisan
Leon A. Ellis (1933-1988)

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education
Traverse City Area Public Schools
Traverse City, Michigan

August 17, 2006

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Traverse City Area Public Schools as of and for the year ended June 30, 2006, which collectively comprise Traverse City Area Public Schools' basic financial statements and have issued our report thereon dated August 17, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Traverse City Area Public Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

To the Board of Education
Traverse City Area Public Schools

August 17, 2006

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Traverse City Area Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Traverse City Area Public Schools in a separate letter dated August 17, 2006.

This report is intended solely for the information and use of the board of education, management, U.S. Department of Education and the Michigan Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

Mamey, Costenisan & Ellis, P.C.

Certified Public Accountants



Lamonte T. Lator
Bruce J. Dunn
Jeffrey C. Stevens
Linda I. Schirmer
Steven W. Scott
David M. Raack
Robert E. Miller, Jr.
Steven B. Robbins
James E. Nyquist
James R. Dedyne

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**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education
Traverse City Area Public Schools
Traverse City, Michigan

August 17, 2006

Compliance

We have audited the compliance of Traverse City Area Public Schools with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. Traverse City Area Public Schools' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs are the responsibility of Traverse City Area Public Schools' management. Our responsibility is to express an opinion on Traverse City Area Public Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Traverse City Area Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Traverse City Area Public Schools' compliance with those requirements.

In our opinion, Traverse City Area Public Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Traverse City Area Public Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Traverse City Area Public Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the board of education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mayer, Costeniser & Ellis, P.C.

Certified Public Accountants

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**TRAVERSE CITY AREA PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

| Federal grantor/pass through grantor/program title | Pass-through grantor's number | Federal CFDA number | Approved award amount | Accrued (deferred) revenue at June 30, 2005 | Adjustments and transfers | Current year receipts (cash basis) | Current year expenditures | Accrued (deferred) revenue at June 30, 2006 |
|--|----------------------------------|---------------------------|-----------------------------|--|---------------------------------|--|---------------------------------|--|
| <u>US Department of Agriculture:</u> | | | | | | | | |
| <u>Child Nutrition Cluster</u> | | | | | | | | |
| Passed Through the Michigan Department of Education: | | | | | | | | |
| Summer Food Service | | | | | | | | |
| 2004-2005 | | 10.559 | \$ 26,380 | \$ 6,968 | \$ | \$ 6,968 | \$ | \$ |
| 2005-2006 | | 10.559 | 32,743 | | | 26,722 | 32,743 | 6,021 |
| | | | 59,123 | 6,968 | | 33,690 | 32,743 | 6,021 |
| National School Breakfast Program: | | | | | | | | |
| 2004-2005 | 051970 | 10.553 | 191,141 | 39,009 | | 39,009 | | |
| 2005-2006 | 061970 | 10.553 | 185,551 | | | 175,019 | 185,551 | 10,532 |
| | | | 376,692 | 39,009 | | 214,028 | 185,551 | 10,532 |
| National School Lunch Program: | | | | | | | | |
| 2004-2005 | 051950/051960 | 10.555 | 966,062 | 176,410 | | 176,410 | | |
| 2004-2005 Snack | 051980 | 10.555 | 8,156 | 1,324 | | 1,324 | | |
| 2005-2006 | 061950/061960 | 10.555 | 1,015,155 | | | 976,933 | 1,015,155 | 38,222 |
| 2005-2006 Snack | 061980 | 10.555 | 9,135 | | | 8,762 | 9,135 | 373 |
| | | | 1,998,508 | 177,734 | | 1,163,429 | 1,024,290 | 38,595 |
| National School Lunch - Special Milk Program: | | | | | | | | |
| 2005-2006 | 061940 | 10.556 | 1,633 | | | 1,633 | 1,633 | |
| Total Child Nutrition Cluster | | | 2,435,956 | 223,711 | | 1,412,780 | 1,244,217 | 55,148 |
| Food Distribution: | | | | | | | | |
| Entitlement Commodities 2005-2006 | N/A | 10.550 | 173,576 | | | 149,198 | 149,198 | |
| Bonus Commodities 2005-2006 | N/A | 10.550 | 11,470 | | | 11,470 | 11,470 | |
| | | | 185,046 | | | 160,668 | 160,668 | |
| TOTAL U.S. DEPARTMENT OF AGRICULTURE | | | 2,621,002 | 223,711 | | 1,573,448 | 1,404,885 | 55,148 |

The accompanying notes are an integral part of this schedule.

TRAVERSE CITY AREA PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006
(Continued)

| Federal grantor/pass through grantor/program title | Pass-through grantor's number | Federal CFDA number | Approved award amount | Accrued (deferred) revenue at June 30, 2005 | Adjustments and transfers | Current year receipts (cash basis) | Current year expenditures | Accrued (deferred) revenue at June 30, 2006 |
|---|----------------------------------|---------------------------|-----------------------------|--|---------------------------------|--|---------------------------------|--|
| <u>U.S. Department of Education:</u> | | | | | | | | |
| Direct Programs: | | | | | | | | |
| Indian Education | S060A040803 | 84.060A | \$ 74,996 | \$ 21,040 | \$ | \$ 21,040 | \$ | \$ |
| Indian Education | B060A050803-05 | 84.060A | 72,971 | | | 59,354 | 72,971 | 13,617 |
| | | | 147,967 | 21,040 | | 80,394 | 72,971 | 13,617 |
| Carol M. White Physical Education Grant | Q215F040875 | 84.215F | 397,436 | 76,660 | | 335,036 | 258,376 | |
| Carol M. White Physical Education Grant | Q215F040875 | 84.215F | 281,044 | | | 38,006 | 86,694 | 48,688 |
| | | | 678,480 | 76,660 | | 373,042 | 345,070 | 48,688 |
| Emergency Response Grant | Q184E040064 | 84.184E | 250,000 | 30,676 | | 192,185 | 161,509 | |
| 21st Century Community Learning Centers | S287A012390 | 84.287A | 762,728 | 66,340 | | 66,340 | | |
| Arts Model Development Grant | U351D030220 | 84.351D | 280,878 | 19,034 | | 155,284 | 136,250 | |
| Arts Model Development Grant | U351D030220 | 84.351D | 261,207 | | | 77,230 | 117,337 | 40,107 |
| | | | 542,085 | 19,034 | | 232,514 | 253,587 | 40,107 |
| Total Direct Programs | | | 2,381,260 | 213,750 | | 944,475 | 833,137 | 102,412 |
| <u>Passed Through the Michigan Department of Education:</u> | | | | | | | | |
| Title I | 041530/0405 | 84.010 | 125,107 | 117,884 | | 117,884 | | |
| Title I | 051530/0405 | 84.010 | 1,085,155 | 184,624 | | 287,456 | 102,832 | |
| Title I | 061530/0506 | 84.010 | 1,150,825 | | | 796,157 | 995,604 | 199,447 |
| Title I | 051530/0506 | 84.010 | 142,577 | | | | 142,577 | 142,577 |
| | | | 2,503,664 | 302,508 | | 1,201,497 | 1,241,013 | 342,024 |
| Community Service Grant | 042600/0CS03 | 84.184 | 93,750 | 28,222 | | 28,222 | | |

The accompanying notes are an integral part of this schedule.

TRAVERSE CITY AREA PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006
(Continued)

| Federal grantor/pass through grantor/program title | Pass-through grantor's number | Federal CFDA number | Approved award amount | Accrued (deferred) revenue at June 30, 2005 | Adjustments and transfers | Current year receipts (cash basis) | Current year expenditures | Accrued (deferred) revenue at June 30, 2006 |
|--|----------------------------------|---------------------------|-----------------------------|--|---------------------------------|--|---------------------------------|--|
| <u>U.S. Department of Education (Continued):</u> | | | | | | | | |
| Passed Through the Michigan Department of Education (Continued): | | | | | | | | |
| Drug Free Schools & Communities | 042860/0404 | 84.186 | \$ 16,324 | \$ 1,814 | \$ | \$ 1,814 | \$ | \$ |
| Drug Free Schools & Communities | 052860/0405 | 84.186 | 55,167 | 22,204 | | 22,204 | | |
| Drug Free Schools & Communities | 052860/0506 | 84.186 | 5,349 | | | 5,349 | 5,349 | |
| | | | 130,529 | 24,018 | | 64,112 | 50,864 | 10,770 |
| Homeless Children & Youth | 042320/0405-C | 84.196A | 2,078 | 2,078 | | 2,078 | | |
| Homeless Children & Youth | 052860/0405 | 84.196A | 70,555 | 13,863 | | 13,863 | | |
| Homeless Children & Youth | 052320/0506-C | 84.196A | 15,377 | | | 10,253 | 15,377 | 5,124 |
| | | | 145,224 | 15,941 | | 68,936 | 67,777 | 14,782 |
| 21st Century Community Learning Centers | 052110/21st03024 | 84.287 | 480,000 | 182,125 | | 182,125 | | |
| 21st Century Community Learning Centers | 062110/21st03024 | 84.287 | 480,000 | | 13,872 | 299,329 | 450,231 | 137,030 |
| | | | 960,000 | 182,125 | 13,872 | 481,454 | 450,231 | 137,030 |
| Title V Innovative Education Program Strategies | 06025/0506 | 84.298 | 4,426 | | | 4,426 | 4,426 | |
| Title II Part D Technology Literacy Challenge Grant | 044290/0405 | 84.318 | 415 | 415 | | 415 | | |
| Title II Part D Technology Literacy Challenge Grant | 054290/0405 | 84.318 | 27,515 | 1,662 | | 4,773 | 3,111 | |
| Title II Part D Technology Literacy Challenge Grant | 054290/0506 | 84.318 | 18,272 | | | | 18,272 | 18,272 |
| Title II Part D Technology Literacy Challenge Grant | 064290/0506 | 84.318 | 21,469 | | | 19,754 | 21,469 | 1,715 |
| | | | 67,671 | 2,077 | | 24,942 | 42,852 | 19,987 |
| Comprehensive School Reform Demonstration Program | 041880/0405 | 84.332A | 160,494 | 36,012 | | 102,023 | 66,011 | |
| Comprehensive School Reform Demonstration Program | 051880/0506 | 84.332A | 120,100 | | | 46,589 | 69,200 | 22,611 |
| | | | 280,594 | 36,012 | | 148,612 | 135,211 | 22,611 |

The accompanying notes are an integral part of this schedule.

TRAVERSE CITY AREA PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006
(Continued)

| Federal grantor/pass through grantor/program title | Pass-through grantor's number | Federal CFDA number | Approved award amount | Accrued (deferred) revenue at June 30, 2005 | Adjustments and transfers | Current year receipts (cash basis) | Current year expenditures | Accrued (deferred) revenue at June 30, 2006 |
|--|----------------------------------|---------------------------|-----------------------------|--|---------------------------------|--|---------------------------------|--|
| <u>U.S. Department of Education (Concluded):</u> | | | | | | | | |
| Passed Through the Michigan Department of Education (Continued): | | | | | | | | |
| Title II Improving Teacher Quality | 040520/0405 | 84.367 | \$ 41,552 | \$ 41,552 | \$ | \$ 41,552 | \$ | \$ |
| Title II Improving Teacher Quality | 050520/0405 | 84.367 | 487,462 | 100,943 | | 100,943 | | |
| Title II Improving Teacher Quality | 050520/0506 | 84.367 | 31,252 | | | | 31,252 | 31,252 |
| Title II Improving Teacher Quality | 060520/0506 | 84.367 | 488,730 | | | 393,304 | 480,240 | 86,936 |
| | | | 1,048,996 | 142,495 | | 535,799 | 511,492 | 118,188 |
| Katrina FY 2006 | 064120-NONP | 84.938C | 21,900 | | | | 21,900 | 21,900 |
| Katrina FY 2006 | 64120 | 84.938C | 7,992 | | | | 7,992 | 7,992 |
| | | | 29,892 | | | | 29,892 | 29,892 |
| Total Passed Through the Michigan Department of Education | | | 5,264,746 | 733,398 | 13,872 | 2,558,000 | 2,533,758 | 695,284 |
| Passed Through Traverse Bay Intermediate School District: | | | | | | | | |
| Special Education Cluster: | | | | | | | | |
| Capacity Building | 050490/CB | 84.027A | 18,600 | 18,600 | | 18,600 | | |
| IDEA Grant | 050450/0405 | 84.027A | 15,991 | 1,286 | | 13,298 | 12,012 | |
| | | | 42,815 | 23,435 | | 40,619 | 17,184 | |
| Pre-School Incentives (PPI) | 060460/0506 | 84.173A | 77,040 | | | 77,040 | 77,040 | |
| Total Passed Through Traverse Bay Intermediate School District: | | | 119,855 | 23,435 | | 117,659 | 94,224 | |
| Passed Through Waverly Community Schools: | | | | | | | | |
| Title III Limited English Proficient Grant | 040580-0304 | 84.365 | 11,456 | 11,456 | | 11,456 | | |
| Title III Limited English Proficient Grant | 050580-0405 | 84.365 | 15,682 | 15,682 | | 15,682 | | |
| Total Passed Through Waverly Community Schools | | | 59,793 | 27,138 | | 59,793 | 32,655 | |
| Passed Through Marquette-Alger RESA: | | | | | | | | |
| Personnel Development Mini-Grant | 060470/1D33 | 84.027A | 25,000 | | | 24,549 | 25,000 | 451 |
| TOTAL U.S. DEPARTMENT OF EDUCATION | | | 7,850,654 | 997,721 | 13,872 | 3,704,476 | 3,518,774 | 798,147 |

The accompanying notes are an integral part of this schedule.

TRAVERSE CITY AREA PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006
(Concluded)

| Federal grantor/pass through grantor/program title | Pass-through grantor's number | Federal CFDA number | Approved award amount | Accrued (deferred) revenue at June 30, 2005 | Adjustments and transfers | Current year receipts (cash basis) | Current year expenditures | Accrued (deferred) revenue at June 30, 2006 |
|--|----------------------------------|---------------------------|-----------------------------|--|---------------------------------|--|---------------------------------|--|
| <u>U.S. Department of Homeland Security:</u> | | | | | | | | |
| Passed Through Michigan State Police: | | | | | | | | |
| Homeland Security | | 97.004 | \$ 28,997 | \$ | \$ | 28,997 | \$ 28,997 | \$ |
| <u>U.S. Department of Environmental Protection Agency:</u> | | | | | | | | |
| Direct Programs: | | | | | | | | |
| Clean School Bus USA | SB-83287601-0 | 66.036 | 140,365 | | | | 74 | 74 |
| <u>U.S. Department of Health and Human Services:</u> | | | | | | | | |
| Passed Through the MI Dept of Health and Human Services: | | | | | | | | |
| Strong Families/Safe Children | SFSC-02-28002-04 | 93.556 | 17,615 | 6,971 | | 6,971 | | |
| Before & After School Child Care Program | BA-05-28001 | 93.558 | 214,303 | | | 111,271 | 155,860 | 44,589 |
| Children's Trust Fund | CTFDS 06-28002 1 | 93.590 | 39,540 | | | 29,655 | 28,763 | (892) |
| TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | 271,458 | 6,971 | | 147,897 | 184,623 | 43,697 |
| TOTAL FEDERAL FINANCIAL ASSISTANCE | | | \$ 10,912,476 | \$ 1,228,403 | \$ 13,872 | \$ 5,454,818 | \$ 5,137,353 | \$ 897,066 |

The accompanying notes are an integral part of this schedule.

**TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

NOTES:

1. Basis of presentation - The accompanying schedule of expenditures of federal awards includes the grant activity of Traverse City Area Public Schools and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133 and reconciles with the amounts presented in the preparation of the financial statements.
2. The National School Lunch Cluster, CFDA #10.553, #10.555, #10.556, and #10.559, and the Carol M. White Physical Education Grant, CFDA # 84.215F were audited as major programs.
3. The threshold for distinguishing Type A and Type B programs was \$300,000.
4. Management has utilized the Grant Section Auditor's Report (Form R7120) in preparing the Schedule of Expenditures of Federal Awards.
5. Federal expenditures are reported as revenue in the following funds in the financial statements:

| | |
|--|-----------------------------|
| General fund | \$ 3,097,615 |
| Other nonmajor governmental funds (special revenue fund) | <u>2,025,866</u> |
| | 5,123,481 |
| Adjustment - expenditure recorded for grant reporting not recorded under financial reporting | <u>13,872</u> |
| Total financial assistance | <u><u>\$ 10,260,834</u></u> |

6. Program clusters contained within the schedule are as follows:

Child Nutrition Cluster consists of CFDA #10.553, #10.555, #10.556 and #10.559.

Special Education Cluster consists of CFDA #84.027 and #84.173.
7. During the year, Traverse City Area Public School passed through \$90,766, \$91,346, and \$90,583 of 21st Century Community Learning Center money, CFDA #84.287, to Buckley Community Schools, Kingsley Area Schools, and Northport Community Schools, respectively. In addition, \$21,462 of Katrina relief money, CFDA #84.938C was passed through to Interlochen Arts Academy.

**TRAVERSE CITY AREA PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditors' report issued: *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ Yes X None reported
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Reportable condition(s) identified that are not considered to be material weakness(es)? _____ Yes X None reported

Type of auditors' report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported with Section 510(a) of Circular A-133?

_____ Yes X No

Identification of major programs:

| CFDA Number(s) | Name of Federal Program or Cluster |
|---|--|
| 10.553, 10.555, 10.556, 10.559 84.215F | National School Lunch Carol M. White Physical Education Grant |

Dollar threshold used to distinguish between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

 X Yes _____

Section II - Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

**TRAVERSE CITY AREA PUBLIC SCHOOLS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDING JUNE 30, 2006**

There were no audit findings in either of the prior two years.

VISION

In partnership with a caring community,
Traverse City Area Public Schools
will prepare every student with the knowledge
and strategies for a lifetime of successful learning
and responsible global citizenship.

MISSION

The mission of Traverse City Area Public Schools
is to ensure successful academic achievement
for all students.

GOALS

1. All students will demonstrate increased achievement annually in the core content areas of language arts, math, science, and social studies.
2. Traverse City Area Public Schools' staff will improve communications to involve students, staff, parents, and community in support of student achievement.
3. The District will responsibly manage its resources.



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Linda I. Schirmer
Steven W. Scott
David M. Raeck
Robert E. Miller, Jr.
Steven B. Robbins
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Timothy J. Orians
Dennis D. Theis

Walter P. Maner, Jr. (1921-2004)
Floyd L. Costerisan
Leon A. Ellis (1933-1988)

August 17, 2006

To the Board of Education
Traverse City Area Public Schools
Traverse City, Michigan

In planning and performing our audit of the financial statements of Traverse City Area Public Schools for the year ended June 30, 2006, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The comments and suggestions regarding those matters follow. This letter does not affect our report dated August 17, 2006, on the financial statements of Traverse City Area Public Schools.

Current Year Comments

Cash Management - Federal Awards

The Michigan Department of Education has recently been notified that it, along with all other states, has misinterpreted the advance provision of the Cash Management Improvement Act (CMIA). The United States Department of Education started monitoring and auditing CMIA compliance and is notifying sub-recipients that advances are limited to three days cash needs. In other words, funds must be spent by the district within 72 hours of being drawn down from the USDE GAPS system. Because of this new awareness, the department will no longer allow 30-day cash advances for ongoing programs during fiscal year 2006/2007. Thirty-day cash advances may be permitted for new one-time federal grant programs at the discretion of program management.

We recommend the District request funds on a reimbursement basis in order to ensure compliance with the revised cash management interpretation.

New Auditing Standards

Recently, 10 new auditing standards have been released and will become effective over the District's next two fiscal years. In reviewing the new standards, we do not believe, for the most part, they will have a significant impact on our overall audit approach. However, two of the new standards may directly impact the District beginning with the June 30, 2007 year-end.

One of the new standards revises the dating of the auditors' report. Under the old standards, the auditors' report was dated the last day of fieldwork. The new standards define the date as the date adequate audit evidence is obtained. Adequate audit evidence is now being interpreted as including the client's approval of draft financial statements. Although the dating of the report may seem trivial to non-auditors, it does have an impact on auditors' subsequent events work (June 30 through date of the auditors' report). The impact to the District could be if there was a long period of time needed to resolve certain open issues. This would extend the dating of the auditors' report and increase the amount of work we need to complete our subsequent events work.

Another standard effective for the June 30, 2007 year-end is related to our communications with the client. The new standard retained the definition of a "material weakness" and added two new categories of deficiencies "significant deficiency" and "control deficiency". Certain situations were included as examples of strong indicators of significant deficiencies and possibly material weaknesses. One of the situations is when the client is unable to write financial statements, including the footnotes, in accordance with accounting principles generally accepted in the United States of America. This would not apply to your District.

Budget Enforcement by the Michigan Department of Education

The Michigan Department of Education is changing their enforcement and monitoring of budget violations. They are currently focusing on total expenditures violations that exceed 1% of the total expenditures budget and total other financing uses that exceed 1% of the total other financing uses budget. The Department of Education will be issuing letters to school board presidents, the superintendent and the chief business official when they identify these types of violations.

Currently identified violations of the Act include, but are not limited to:

- Incurring expenditures in excess of the appropriation approved by the school board (Overspending your budget by line item).
- Ending the fiscal year with a deficit (negative fund balance).
- Adopting a budget that, when implemented, would put the district in a deficit.

The Department is also currently reviewing their interpretation of Section 17(2). This would be a situation where a district's actual revenues were less than budgeted revenues and, at the same time, depleted the district fund balance, beyond what was approved in total by the school board.

We recommend you continue to review your current budget amendments during the year. There will be situations where there continue to be budget violations as disclosed in footnote 2 subsection 3 of the financial statements. While there may be technical violations of the act we believe the district's current budget procedures are adequate.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Company personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

To the Board of Education
Traverse City Area Public Schools
Traverse City, Michigan

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August 17, 2006

This report is intended solely for the information and use of Traverse City Area Public Schools, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

Mamie Costenusan, E. Ellis, P.C.



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August 17, 2006

To the Finance Committee
Traverse City Area Public Schools
Traverse City, Michigan

We have audited the financial statements of Traverse City Area Public Schools for the year ended June 30, 2006, and have issued our report thereon dated August 17, 2006. Professional standards require that we provide you with the following information related to our audit.

1. Our Responsibility under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered Traverse City Area Public School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Traverse City Area Public School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of law, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Traverse City Area Public School's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major programs for the purpose of expressing an opinion on Traverse City Area Public School's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Traverse City Area Public School's compliance with those requirements.

2. Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Traverse City Area Public Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2006. We noted no transactions entered into by Traverse City Area Public Schools during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

3. Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the liability of the payout of employee compensated absences upon their retirement is based on expected payout. We evaluated the key factors and assumptions used to develop the balance of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

4. Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the school district's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the school district, either individually or in the aggregate, indicate matters that could have a significant effect on the school district's financial reporting process. Management has approved all adjustments.

5. Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

6. Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

7. Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the school district's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

8. Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the finance committee, board of directors, and management of Traverse City Area Public Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Maney, Costeniser & Ellis, P.C.